

COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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May 1, 2012

Ms. Mary George Director of Library Services 350 Nevada St. Auburn, CA 95603

Re: Library Cash Handling Review - Follow-Up

Dear Ms. George:

The Internal Audit Division of the Auditor-Controller's Office performed a six month follow-up to our prior review of controls over cash collections at the Library Department (Department). The objectives of our follow-up procedures were to determine how recommendations from the previous review were implemented to strengthen internal controls. Our procedures included inquiries of Department personnel regarding deficiencies in internal control and how recommendations were utilized along with actions taken.

The following is the summary of findings and recommendations along with the Department's responses from the report dated May 4, 2011, which is then followed by the new policies and/or procedures adopted by the Department to alleviate the risk.

Fines and Fees Forgiven

During our testing, it was noted library clerks have the ability to completely forgive a fine or fee without having to provide any justification or supporting documentation to substantiate the decision.

We recommend all fines and fees be collected from every owing patron and all 'forgiving' of fees be suspended, unless there are unusual circumstances, in which case an explanation should be provided.

Department Response: Library Administration agrees with this finding. Plans are to develop guidelines in which only supervisors can approve fine waivers, or "forgive fines". In addition, all fine waivers will be documented. Documentation will include a computer system screen print of the patron's record reflecting the fine, a justification for the waiver, and the supervisor's signature approving the waiver.

5/1/12 Library Response: Current guidelines allow staff to forgive up to \$10 in fines and fees without notifying a supervisor. The process of documenting fine and fee waivers has been updated. Staff now document by entering transactions on a log rather than printing the patron's record. A copy of the log is attached.

Auditor Follow-Up: The process for forgiving of fines and fees has been changed with a new Department policy stating specific guidelines and procedures along with required documented justification.

Control Totals

We noted there are no summary control totals from the branches to ensure what amount of fines and fees were taken into the branch daily and should be included in the daily deposit. This issue is compounded since receipts are only given for transactions greater than \$5.00.

We recommend the Department research existing functionality in the circulation system to mitigate risk related to the daily receiving of cash. A report containing daily branch summary totals could be utilized only by the supervisor in Auburn to verify and reconcile the Daily Transfer Memos.

Department Response: Library Administration's recommendation is to continue to issue receipts only for transactions greater than \$5.00. Library staff is in the process of developing targeted reports that reflect the total of all daily fines and fees paid into the Integrated Library System (ILS) called Sirsi.

This report will be reconciled with daily Transfer Memos created at the Library Branches. This system will support the monitoring of un-receipted fines and fees as the two figures are balanced. At this time, there has been no specific outage threshold determined which will require action. However, it is anticipated that this method of reconciliation will reveal a pattern of abuse should such a pattern occur.

5/1/12 Library Response: The next Sirsi upgrade will occur on May 21, 2012. This upgrade will support the development of a more effective report for this purpose.

Auditor Follow-Up: Summary control totals will be run at least twice a month and each branch will be examined utilizing the Transfer Memos and reports run by a Library supervisor. The policy regarding Transfer Memos has been changed to filling them out daily instead of weekly, which will aid in the control total tests being run.

Timeliness of Deposits

During the review period (July through December 2010), the deposits (tested in our sample of ten) for the Department were consistently averaging 30 days from the date of the Transfer Memo until the deposit posted in the County Treasury.

We recommend the Department make deposits in accordance with the procedures in the County's Accounting Manual for Cash, page 6, "All monies received shall be deposited intact into the County Treasury or a commercial bank account at least weekly and preferably daily, if the revenue volume warrants. Placer County Code, Section 2.46(b) states that a deposit is required when the department has more than \$25.00 in cash; or \$100 in checks, other negotiable instruments, and currency and coin."

Department Response: Library Administration's goal is to deposit funds to the County Treasury as expeditiously as possible. The Placer County Library System includes 13 Branch Libraries. These Branches send negotiable items such as cash, checks, and receipts together with the accompanying Transfer Memo form in a locked container to the Library Branch Department for initial verification and secure storage in a fireproof safe. Funds are transported from the outlying Branches via a commercial courier service. Library Administrative staff completes the deposit process by allocating funds to the appropriate PAS account coding, and preparing a deposit to the County Treasury.

The (previously) attached spreadsheet provided a summary of sample deposits made to the County Treasury and the length of time required to process deposits from point of origin to destination. The longest length of time taken to process these sample deposits was 29 days; the shortest was 5 days. Library Administration works diligently to process these deposits as quickly as possible, and is satisfied at this time with the length of the deposit timeline given the business needs of the Department.

5/1/12 Library Response: The "locked container" refers to a lockable canvas bag.

Auditor Follow-Up: Deposits from the Library were reviewed for four months and it was discovered that approximately 58% of the time they were made weekly. Our recommendation was weekly or even daily depending on the amount of cash on hand, which we reiterated during our follow-up.

We appreciate the Department staff's courtesy and cooperation throughout the course of this review and follow-up.

Nicole C. Howard, CPA Internal Audit Manager

cc: Diane McDonnell, Administrative Services Officer, Library Katherine Martinis, Auditor-Controller

Placer County Audit Committee

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DATE(S)		LIBRARY		
USER ID	\$ FORGIVEN	\$ CANCELLED	REASON	STAFF INITIALS
TOTAL				
	DATE(S) MUST	DATE(S) MUST MATCH TRANSFER MEMO	3/22/12