



Audit Report Number 2006-01
City of Richmond
City Library
Eighteen Months Ended December 31, 2004

Prepared by
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Submitted to
The Honorable Members of City Council
July 20, 2005

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The Honorable Members of City Council
Richmond City Audit Committee
City of Richmond, Virginia 23219

City Auditor's Report

SCOPE

We conducted an audit of the City Library, covering the eighteen months ended December 31, 2004. This audit was done at the request of the Library Board. We reviewed and evaluated the internal controls in place during the same period to the extent considered necessary.

OBJECTIVES

Our audit objectives were to:

- Determine whether the Library's performance measures have been met and accurately reported.
- Determine whether petty cash expenditures were in accordance with applicable City policies and if internal controls were adequate for the petty cash process.
- Ascertain whether the Library was in compliance with applicable policies and procedures regarding revenue and if internal controls ensured revenues were properly controlled and recorded.
- Determine whether the Library used donations by the Richmond Public Library Foundation, Friends of Richmond Public Library, and other donating entities for their intended purpose.
- Ascertain whether the capital expenditures recorded as capital projects were properly recorded.
- Ensure internal controls over the SIRSI system were adequate to limit access and to ensure that users' access was appropriate.

We also identified opportunities for improvement in the internal control structure. Our testing did not indicate any internal control weaknesses that would allow material misstatement in the records processed and maintained by the City to go undetected.

METHODOLOGY

We conducted our audit in accordance with Government Auditing Standards for Performance Audits issued by the Comptroller General of the United States. During the course of our work, we reviewed supporting documents, evaluated the internal control structure, and conducted other appropriate tests. We believe that our audit provides a reasonable basis for our conclusions regarding the internal control structure and our recommendations.

The management of the City of Richmond, Virginia, and the Library Board is responsible for maintaining the financial records of the City. It is also responsible for establishing and maintaining a system of internal accounting control and management control. In fulfilling this responsibility, management is required to assess the expected benefits and related costs of control procedures.

CONCLUSIONS

Based on the results of our audit, we conclude that:

- The Department's Customer Service surveys need to be updated to accurately report performance measurement data.
- The internal controls for petty cash appeared adequate. However, the Department did not follow the City's policies and procedures for processing petty cash.
- While the Department did comply with applicable policies and procedures regarding revenue, certain internal controls for revenue were inadequate.
- The Department did use donations for their intended purpose.
- The Department did not accurately classify expenditures associated with the recent renovations.
- Access controls for SIRSI were not adequate to prevent unauthorized changes to fees and penalties.

We discussed the attached comments and recommendations with management throughout the audit and formally on June 28, 2005. We have included management responses from the responsible officials.

We would like to thank the departmental management and staff for their cooperation and assistance during this audit.

This report is intended for the members of the Richmond City Council, the City Audit Committee, City management and the Library Board; it is a matter of public record.

Respectfully submitted,

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City Auditor

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May 24, 2005

Executive Summary

Background

In FY 2004 patrons borrowed approximately 683,000 items of Library materials and used an additional 131,755 in-house during their visits. Over 97,000 children books were circulated and approximately 6,640 students were given homework assistance. The total number of Library visitors for the year approached 708,000.

In October 2004, the Richmond Public Main Library completed a \$2.4 million renovation project that was funded jointly by the City of Richmond and the Richmond Public Library Foundation's Literary Legacy Campaign. In addition, the Richmond Public Library received more than \$1 million in gifts and donations from local corporations and individuals. Finally, the Library was the recipient of the \$300,000 challenge grant from the National Endowment for the Humanities during the Literary Legacy Fundraising campaign.

Mission

The mission of the Richmond Public Library is to enrich lives and expand opportunities for all citizens by promoting reading and the active use of cultural, intellectual, and informational resources through a dedication to excellence and professional service.

Summary of Recommendations

In order to improve operations of the Library, we made the following recommendations for management's consideration:

1. Update policies and procedures manual.
2. Establish petty cash handover/takeover procedures.
3. Adhere to petty cash policy.
4. Develop new passwords in SIRSI.
5. Restrict users' access to SIRSI.
6. Implement supervisory approval for partial payments.
7. Update Library customer service survey.
8. Maintain documentation of participants in programs.
9. Adhere to record retention policy.

10. Strengthen controls to protect cash.

11. Transfer appropriate renovation items to fixed asset categories.



FINDINGS AND RECOMMENDATIONS

1. Update Policies and Procedures Manual

The Department did not have a Policies and Procedures Manual that was up to date and that reflected the current processes. Written procedures should be available to enhance the effective operation of any department since they:

- help ensure management that procedures are being carried out according to its intentions;
- provide guidance whenever a question arises concerning the appropriate way to resolve a problem; and
- facilitate training of new employees.

RECOMMENDATION

We recommend that management update the policies and procedures manual to reflect current practices. It should be specific to the Department's operations and programs. This manual should be used as a continuing reference source of Department methods and to promote consistency.

MANAGEMENT RESPONSE

The Library is currently updating the Policies and Procedures Manual by submitting drafts for staff review bi-weekly. Drafts are finalized by the Administrative Team after staff input. At least two to six policies and procedures are submitted to the Library Board monthly for approval. The manual will be available for distribution December 2005.

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2. Establish Petty Cash Handover/Takeover Procedures

The Department did not have a procedure in place for turning over petty cash responsibilities (petty cash handover/takeover procedures) when there was a change to the petty cash custodian. Additionally, only the petty cash custodian has a bank-authorized signature to sign checks.

We deem handover/takeover procedures are necessary in case the petty cash custodian ceases employment or is absent for an extended period of time. In addition, there is need to have more than one person with bank authorized signature approval to sign checks. The risk of not having these procedures in place could delay payment of petty cash and increase the potential for theft or misuse of cash.

RECOMMENDATION

We recommend that management develop handover/takeover procedures for petty cash and to establish a back-up person with bank-authorized signature authority to sign checks.

MANAGEMENT RESPONSE

The Library is in the process of developing a handover/takeover petty cash procedure. Authorized signatures for the bank will include the custodian and Directors. The Project Management Analyst and Assistant Director will be added as custodian and the City Librarian will be added as the second signature on all checks. This will be effective August 2005.

* * * *

3. Adhere to the Petty Cash Policy

The Department did not follow the City's policy when processing petty cash expenditures. We tested 87 purchases and noted significant deficiencies as follows:

- 55 of 87 purchases were not approved
- 2 of 87 purchases did not have a receipt
- 81 of 87 sale receipts were not cancelled
- 11 of 87 purchases exceeded the petty cash limit of \$150
- 53 of 87 purchases should not have been made with the petty cash fund
- 49 of 87 purchases were made without someone completing a reimbursement request form

- 37 of 87 purchases included payment for the sales taxes
- 3 of 87 purchase receipts did not contain the vendor/company name
- 2 of 87 purchases were not supported by the original sales receipt
- 2 of 87 purchases should have been made under a City contract
- 2 vendors were frequently utilized

According to the City's policy, the use of petty cash funds is limited to small, incidental purchases when items cannot be included on a regular purchase requisition. The limit for a petty cash purchase is \$150. By not complying with the policy, the petty cash usages were not proper and could have led to the misuse of cash. We were told that several of the exceptions were attributed to policy overrides ordered by the previous City Librarian.

RECOMMENDATION

We recommend that management follow the City's policy to ensure that the petty cash process deters misuse of cash by (1) reiterating the policy to staff, (2) advising the custodian's supervisor to closely monitor reimbursement requests to ensure the requests are in compliance with the policy, and when applicable (3) implementing usage of proper procurement procedures.

MANAGEMENT RESPONSE

Staff has been advised of the revised Petty Cash Policy, which is effective July 2005.

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4. Develop New Password in SIRSI

The Library uses the SIRSI database system which retained patrons' records and use of Library materials. The system has password protection to prevent unauthorized employees from overriding fees/fines. However, this password is commonly known by the majority of the Library staff. Therefore, the staff can override fees/fines without the supervisor's knowledge or approval.

While the majority of fees/fines are relatively small, changes to fines and penalties over a designated amount should be better controlled. We deem only supervisors should have the authority to override fees/fines over a designated limit to prevent the loss of revenue and to reduce the risk of fraud.

RECOMMENDATION

We recommend that Library Administration, in conjunction with the Board, where necessary:

- (1) define a dollar limit to the amount of a fine or penalty staff members may override;
- (2) develop a new password to protect the higher override fees/fines ability, restrict the password to supervisors only, and
- (3) designate individuals who will have responsibility for monitoring the logs for misuse of the override function.

MANAGEMENT RESPONSE

Due to staffing limitations, it will not be manageable to restrict overriding of fees/fines strictly to supervisors. As a result, the Library Board will (1) define a dollar limit allowed for staff to override fees/fines, (2) amounts over the limit will require supervisory approval, and (3) the Board will also require Library management to review the override report monthly to determine any abnormalities that may be occurring. This will be accomplished by December 2005.

* * * *

5. Restrict Users' Access to SIRSI

The Department did not restrict user access to SIRSI based upon their job duties. We found 34 users' access to SIRSI was not appropriate based on their job duties. Four of these users did not need any access to perform their job duties.

Not restricting access to SIRSI increases the risk to the integrity, availability, or security of data.

RECOMMENDATION

We recommend that management review the SIRSI users' access to restrict access based on job duties.

MANAGEMENT RESPONSE

The Administration is currently investigating users' access to SIRSI and will implement limiting access based on job function effective July 2005.

* * * *

6. Implement Supervisor Approval

The SIRSI system allowed the Library staff to accept up to five partial payments from a Library patron for overdue fees/fines without supervisory approval. After the fifth payment, Library staff was able to create a new bill for the remaining amount and extend the overdue fees/fines for an additional five payments.

For a better control mechanism, we deem only supervisors should have the authority to override fees/fines to prevent the loss of revenue and to reduce the risk of fraud. In addition, the partial payment process provided a lenient payment plan which could have led to delaying the collection of revenue. Although this was not a frequent occurrence, this deficiency in the system should be corrected.

RECOMMENDATION

We recommend that management (1) require supervisory approval to allow partial payments and (2) limit the partial payment process to only five payments.

MANAGEMENT RESPONSE

The Administration will review and revise the current policy/procedure for partial payments in SIRSI and implement changes effective July 2005. Users must pay entire amount of fines/fees owed before renewal of Library card.

* * * *

7. Update Library Customer Service Survey

Library Customer Service surveys used for performance measurement purposes were not current and needed a more effective method of distribution:

(1) Customer Service surveys received for FY 2004 did not reasonably represent the users of the Library - only thirty-seven surveys were received; (2) the Customer Service survey did not accurately reflect the current organization structure associated with the Library. In other words, it did not measure current performance objectives.

RECOMMENDATION

We recommend that Library management (1) update Customer Service surveys to reflect the current performance measures that relate to customer service, (2) research additional options for distributing the survey forms to ensure a reasonable number of patron responses regarding services provided by the Library, and (3) encourage Library staff to actively request patrons to complete the survey. Options to consider are a survey that can be completed while the customer is going through the check-out process and having the survey available on the Library's website. The request to complete the survey could be presented to the users when signing on or off the website.

MANAGEMENT RESPONSE

A patron survey is ready for submission to users after the Summer Reading Program is concluded.

* * * *

8. Maintain Documentation of Participants in Programs

The Library could not document participants in the after school program and the summer reading program for youth and general participants. Participant data was discarded once the program was completed, making it impossible to document performance measures associated with the program.

RECOMMENDATION

We recommend that management begin maintaining participant information in a data base (Excel, Access). Suggested data to include would be the following: name of participant, grade level, address, etc. (data appropriate to meet the needs of the Library).

MANAGEMENT RESPONSE

A statistics committee is reviewing all statistics collected. A consultant from SIRSI has been hired to rewrite the software source code to incorporate anticipated adjustments. A completion date of December 2005 is expected.

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9. Adhere to Record Retention Policy

We noted during our visit to four Library branch locations that the staff members were unaware of the City's Record Retention Policy. Additionally, two of the locations did not have an adequate or efficient filing system for supporting revenue documentation. The documents were in boxes and not in any type of order (i.e. month/year).

The City Finance Department's collection policy #10-004 states receipt records and reports be retained for a minimum of three years. By not adhering to the policy, there is increased risk of the inability to provide evidence of transactions if a dispute were to arise.

RECOMMENDATION

We recommend that management send out a memo to all branch locations stating the policy with instructions on how to properly maintain a filing system for supporting documentation.

MANAGEMENT RESPONSE

The Administration will distribute the City's current Record Retention Policy, effective immediately. An updated draft policy has been prepared and tailored to the Library's retention of records. The policy has an expected implementation date of December 2005.

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10. Strengthen Controls to Protect Cash

Two cash collection points (Children's Section and Periodical Section) in the Main Library did not adequately protect nor track cash. These cash collection points did not have a cash register. However, there was a cash register in storage at the Library that was in working condition and not being used. Additionally, the Children's Section was located on the same floor as the Front Desk's cash collection point, creating two collection points on the same floor.

As a best practice, cash receipts should be recorded and physically protected. If cash is not protected and tracked, it increases the risk of theft.

RECOMMENDATION

We recommend that management (1) move the unused cash register to the Periodical Section to strengthen their controls to protect and track cash, and (2) eliminate the cash collection point in the Children's Section since it is on the same floor as the Front Desk collection.

MANAGEMENT RESPONSE

The Administration will implement changes to strengthen controls to protect cash effective July 2005.

* * * *

11. Transfer Appropriate Renovation Items to Fixed Asset Categories

The Main Library has undergone significant renovations and improvements. The capital expenditures associated with the project have not been re-classified to the appropriate fixed asset category in the City's Fixed Asset System. All expenditures associated with the renovation remain in an expense account.

RECOMMENDATION

We recommend that management of the Library, with the assistance of management within the Department of Finance, reclassify the project expenditures as needed to the appropriate fixed asset category.

MANAGEMENT RESPONSE

Library management will contact the Department of Finance immediately to begin the appropriate classification of the expenditures. The completion date will be September 2005.

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