

County of Ventura  
AUDITOR-CONTROLLER  
MEMORANDUM

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To: Jackie Griffin, Director, Ventura County Library

Date: June 11, 2008

From: Christine L. Cohen

Subject: **AUDIT OF CHANGE IN DIRECTOR – VENTURA COUNTY LIBRARY**

EXECUTIVE SUMMARY

We have completed our audit of the change in director for the Ventura County Library (Library). Our overall objective was to determine whether appropriate actions had been taken to accomplish the transfer of accountability and administrative functions from the preceding to the succeeding directors, both interim and permanent. The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors. Our findings are summarized below with details provided in the attached.

Overall, Library satisfactorily transferred accountability and administrative functions between directors. For example, we confirmed that County property was collected from the prior director and that electronic security controls were updated properly. We also verified that California Form 700, *Statement of Economic Interests*, was filed timely and that personal expenses were finalized for the prior director. In addition, we verified that petty cash, trust funds, and outside bank accounts were accounted for properly and balances appeared to be reasonably stated.

However, opportunities were available to improve the transition process and strengthen certain department operations. Specifically, improvement could be achieved by:

- Implementing and strengthening controls over cash collection, deposit, and safeguarding processes.
- Ensuring that forms required upon a change in director are completed on a timely basis.
- Periodically verifying sensitive non-fixed assets in an independent manner.
- Requiring proper support for refunds.
- Performing trust fund reconciliations in a timely manner.
- Updating forms to accurately reflect authorized practice.

Library management initiated corrective action to address our findings. Corrective action is planned to be completed by December 31, 2008.

Jackie Griffin, Director, Ventura County Library

June 11, 2008

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We appreciate the cooperation and assistance extended by you and your staff during this audit.

Attachment

cc: Honorable Peter Foy, Chair, Board of Supervisors  
Honorable Steve Bennett, Board of Supervisors  
Honorable Linda Parks, Board of Supervisors  
Honorable Kathy Long, Board of Supervisors  
Honorable John K. Flynn, Board of Supervisors  
Marty Robinson, County Executive Officer

**AUDIT OF CHANGE IN DIRECTOR  
VENTURA COUNTY LIBRARY**

**BACKGROUND:**

The Ventura County Library (Library) is comprised of 15 libraries, administrative offices, and support services. The Library's mission is to meet the general reading, life-long learning, and informational needs of the people of Ventura County, with special focus on children, youth, and families.

The prior director, Starrett Kreissman, retired in March 2006, and was replaced temporarily by interim director, Alan Langville. The current director, Jackie Griffin, was appointed permanently in November 2006. The Library was authorized 167 positions for fiscal year (FY) 2007-08, with a combined budget of over \$10.9 million.

**SCOPE:**

Our overall audit objective was to determine whether appropriate actions had been taken to accomplish the transfer of accountability and administrative functions from the preceding to the succeeding directors, both interim and permanent. Specifically, we verified whether petty cash, trust funds, and bank accounts were properly accounted for, the account use was appropriate, and balances were reasonably stated at the time of the change. We also confirmed that fixed assets were properly accounted for and properly transferred to the incoming directors. We verified whether required documents, such as *Statements of Economic Interests* and signature authorizations, were completed. We reviewed actions taken to update security measures, including the deactivation of access cards and termination of computer access. We confirmed whether County equipment was collected and accounted for properly and whether personal expenses were finalized for the prior director.

We performed audit tests and evaluations using documents provided by the Library and the Auditor-Controller's Office. Our tests and evaluations focused on operations of Library Administration and the Camarillo Library, including a count of cash at the Camarillo Library on July 19, 2007. The audit was performed in accordance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors. For our audit, we used documents and records for the period October 2005 through July 2007.

**FINDINGS:**

Overall, we found that the Library satisfactorily transferred accountability and administrative functions between directors. Petty cash, trust funds, and outside bank accounts were accounted for properly and balances appeared to be reasonably stated. We confirmed that County equipment, keys, a badge/access card, and a credit card were collected from the prior director and that electronic security controls were updated properly. In addition, we verified that California Form 700, *Statement of Economic Interests*, was filed timely and that personal expenses were finalized for the prior director.

However, although Library participated in the County's Control Self-Assessment Program in 2004 and 2007, our audit disclosed several internal control weaknesses in cash collection, deposit, and safeguarding

processes. Although these findings generally resulted from our audit procedures applied at the Camarillo Library, other library locations throughout the County of Ventura may face similar issues.

Our audit also disclosed that several forms required upon a change in director were not completed on a timely basis. In addition, we noted other areas in need of improvement to address that: sensitive non-fixed assets were not independently verified; refund documentation was not always adequate; year-end trust fund reconciliations were not always completed in a timely manner; and accounting transactions were not always properly authorized.

Summarized below are details of the areas where improvements were needed. Management initiated corrective action during the audit as noted.

1. **Cash Collections.** Improvements were needed to properly account for and document cash collections. Specifically, we noted that: daily cash intake was not reconciled to collection documentation; actual cash on hand was not recorded properly; cash drawers were not counted accurately; and cash retained for daily library operations appeared to be excessive.
  - A. **Accountability for Collections.** Cash and collections accountability controls have not been established to compensate for limitations of Library's transaction tracking system, Horizon. Horizon does not have the ability to record certain transactions, such as payments for library card fees, rent for meeting rooms, donations, or refunds. Because of the limitations of the software, a manual system was needed, but had not been established to account for all transactions. As a result, proper daily reconciliation of cash collections did not occur and proper documentation was not maintained. Additionally, cash overages and shortages could not be identified. According to the County Administrative Manual Policy on *Cash Handling Responsibilities/Guidelines*, reconciliation of cash, documentation, and identification of cash overages and shortages are required to ensure proper cash handling operations.

**Management Action.** Library management concurred with the finding and stated: "The library has started installing cash registers at all its branches. Currently five libraries have cash registers and the remaining eight will be completed by the end of May 2008. The Piru library will not have a cash register because the amounts collected for fees and services are small (\$0.10-\$0.50), and the visibility of a cash register might create a dangerous situation for the singularly staffed library. The cash register produces a daily total report that the libraries balance to. New cash reconciliation forms have been designed and implemented to allow for the balancing of cash against the system. Most days the libraries balance to zero and other days the amounts are typically small and usually overages, not shortages. We have programmed the cash register with a code for donations and these miscellaneous amounts are now recorded."

- B. **Documentation of Cash on Hand.** Library did not properly document or account for the true cash on hand at the Camarillo Library, which was recorded on the Ventura County Financial Management System (VCFMS) as \$30. During our morning cash count on July 19, 2007, before any cash transactions occurred, we found \$1,539.41 on hand. Of this amount: \$184.70 was for cash drawer change; \$714.00 was in the daily cash fund (i.e., 6 days worth of change fund currency, pre-counted and set aside for future use); and \$640.71 was in the reserve fund (i.e., cash retained for making change for large denomination currency). Without proper recordation of cash

retained at library locations, full accountability could not be established over funds, exposing the organization to risk of loss, theft, or misappropriation of collections without detection.

**Management Action.** Library management concurred with the finding and stated: "At the time that Camarillo was audited it had only been open for a few months and the staff was still trying to iron out all the problems of larger space, more open hours and tripling of patrons accessing the services daily. Staff has been instructed on the double custody of cash, that is, requiring two staff members to be present to count the cash, make change and prepare deposits. Cash registers have been implemented and deposits are being processed more often. On site surprise cash counts will start taking place starting July 1, 2008. Change fund amounts will be increased for each library in accordance with the amount of items they circulate, cash received daily and the amount needed on hand to make change for patrons."

- C. **Cash Count.** During our morning cash count at the Camarillo Library on July 19, 2007, expected cash on hand did not equal the actual cash counted. Specifically, cash counted for each of the four cash drawers exceeded the \$46 balance set for each drawer by 5 to 25 cents. Additionally, the \$720 daily cash fund was found to be \$6 short. Although the dollar amount of the discrepancies was not material, accurate beginning daily balances are necessary to establish proper accountability over daily cash collections.

**Management Action.** Library management concurred with the finding and stated: "There are only two cash drawers now and cash counts are done daily. Discrepancies are discussed when they occur and the fiscal officer is meeting with the branches to review their reconciliation process."

- D. **Excess Cash.** The amount of cash on hand for the Camarillo Library, which is used to provide change for patrons and totaled \$1,539.41 during our cash count, appeared to be larger than needed. Management stated that the large amount was needed to prepare cash drawer change funds in advance and to make change for patrons paying with large denominations. However, the amount retained by the Camarillo Library appeared to be excessive for these purposes and created unnecessary risks associated with large amounts of cash on hand.

**Management Action.** Library management concurred with the finding and stated: "According to staff they are keeping a smaller amount of cash on hand. This will be verified and the Audit staff will be informed of the results. Maximum branch cash on hand will be determined for each library based on their circulation and change need for patrons. These amounts will be equal to the change fund. This will be part of the new cash handling procedures and will be implemented library by library because it requires coordination with the Auditor's, i.e., for the library change fund increase, all funds must be deposited prior to receiving change fund money in proper denominations."

2. **Cash Deposits.** The cash deposit process was in need of improvement to ensure that deposits were complete and accounted for properly and to promote more efficient operations.

- A. **Deposit Amounts.** Deposits made by the Camarillo Library did not represent the previous day's collections. Rather, deposit amounts were judgmentally selected with no standards for guidance, and any arbitrary collection residual was either left in or taken from the reserve fund. The reserve fund, which totaled \$640.71 during our cash count, has neither a threshold amount nor a set time

period at which deposits are made from the fund. Therefore, deposit totals did not coincide with collections, which can cause difficulty in identifying discrepancies.

**Management Action.** Library management concurred with the finding and stated: "The amount of each library's change fund will be their threshold. The amount left as a reserve will be tied in to the change fund limit and any excess amounts will be deposited. Daily deposits are difficult due to staffing, especially at smaller libraries. They are also expensive because Bank of America charges service fees for deposits and also for coin. Reconciliation of monies deposited based on daily receipts will be detailed on the new reconciliation forms."

- B. **Dual Custody.** Camarillo Library staff did not document that deposits were processed in dual custody. According to library staff, two members of the accounting staff are present when deposits for the Camarillo Library are prepared and counted. However, deposit documents are signed by only one person. Therefore, documentation did not support the assertion that two members of the accounting staff were present during deposit preparation as the library staff had declared. If two employees are present, both employees need to verify and document the deposit to support proper accountability.

**Management Action.** Library management concurred with the finding and stated: "All libraries have been instructed to have two initials on the deposit. This method is viable at the multi staffed libraries, however our small and neighborhood libraries have only one staff member to prepare the deposit and so these are signed by only one person. These libraries do not have the revenue resource for additional staff."

- C. **Outside Bank Account.** Opportunities were available to streamline Library's process for depositing revenue. Currently, individual libraries deposit collections into the "deposit only" outside bank account with Bank of America and a check is written each month out of the account to deposit the funds into Treasury. If a Treasury sub-account was established at Wells Fargo (i.e., the County's bank), all libraries could deposit directly into the Treasury, eliminating the outside bank account and the monthly transfer of funds. Additionally, our comparison of the overall distance between each library and the depositing bank revealed many Wells Fargo locations to be closer in proximity to library locations. Therefore, transitioning to a Treasury sub-account could simplify the deposit process for the individual libraries as well as Library Administration.

**Management Action.** Library management concurred with the finding and stated: "The library has contacted the Treasurer and received preliminary information. We will start coordinating this transition as soon as all libraries have cash registers and a clear and concise cash handling procedure is in place. Target time is the first quarter of FY 08-09 to transition."

3. **Safeguarding Cash.** Controls were not always adequate to safeguard cash. Specifically, we identified access, accountability, and physical controls in need of improvement to better protect cash collections.

- A. **Limiting Access to Cash.** Cash collections were not always properly safeguarded from unauthorized access. Although cash was stored in a safe, office, or cash drawers at the Camarillo Library, the combination to the safe and the key to the office were accessible to each of the library's 11 employees. Also, the cash drawers were not locked at any time and were not assigned

to specific employees. As a result, access to cash was not adequately limited and proper employee accountability could not be established in case of missing funds.

**Management Action.** Library management concurred with the finding and stated: "Cash registers with locking cash drawers are replacing the existing cash drawers at all the libraries. In addition we are ordering safes or cash boxes for the branch libraries. Libraries will have cash handling authorization forms that will list individuals authorized to have keys and/or safe combinations. Some of the smaller libraries are partially staffed with extra help or part time employees not assigned to that site but who still need access to the cash. They will be included on the authorization list and identified as a non branch employee."

- B. **Safe Effectiveness.** The location and size of the safe within the Camarillo Library did not appear to be adequate for the needs of the library. The safe, located in the front reception area, is easily visible to the general public, providing little discretion when cash is removed or put into the safe. For this reason, the currency is removed from the safe every morning, leaving the safe empty for the remainder of the business day and reducing the effectiveness of the safe. In addition, although the currency is placed in a locked office during the day, the office, and therefore the currency, is accessible to all employees. On the day of the cash count, the currency removed from the safe totaled \$1,131. Further, the safe can only hold a portion of the cash on hand; therefore, coin, which totaled \$408.41 on the day of our cash count, remains unsecured in the office during the evening due to space limitations within the safe.

**Management Action.** Library management concurred with the finding and stated: "The Ventura County Library does not own the building in Camarillo and had little input into the library's layout. We can request that the safe be moved to the enclosed staff area but cannot enforce this change, Library director will contact the City with this Audit recommendation."

4. **Required Documents.** Required documents upon a change in director were not always completed in a timely manner, increasing the risk of fines, unauthorized transactions, and lack of accountability.
- A. **Statements of Economic Interests.** California Form 700, *Statement of Economic Interests*, was not filed in a timely manner with the Clerk of the Board by the interim or current director. Form 700 informs the public about potential conflicts of interest and is required by the Fair Political Practices Commission to be filed within 30 days after assuming or leaving office. However, the interim director did not file an "assuming office" or "leaving office" statement although Form 700 instructions state that "Persons serving as 'acting' or 'interim' or 'alternate' must file as if they hold the position." In addition, the current director's Form 700 was not filed until January 8, 2007, 50 days after assuming office on November 19, 2006. Untimely filing can result in fines by the Fair Political Practices Commission and challenge the County's compliance efforts.

**Management Action.** Library management concurred with the finding and stated: "Duly noted for any future changes in directorship."

- B. **Signature Authorizations.** Signature authorizations were not updated in a timely manner after the retirement of the prior director on March 31, 2006. For example, the *Authorized Signatures for Agency (Trust) Funds* form continued to list the prior director as a signatory on trust fund accounts until the form was updated on June 27, 2006 (i.e., 88 days after the prior director's retirement).

Failure to update signature authorizations promptly could potentially allow for unauthorized transactions and/or access to financial accounts resulting in misappropriation of assets.

**Management Action.** Library management concurred with the finding and stated: "The signatures were updated in keeping with the year end requirements, however in the future we will make sure that authorized signature changes become part of the change in staff process."

- C. **Fixed Asset Accountability.** Accountability was not transferred for over \$9 million in fixed assets from the prior director to the interim director or from the interim director to the current director. Government Code 24051 requires that the fixed asset inventory be formally transferred with a receipt from the preceding to the succeeding director, thereby transferring accountability for the department's fixed assets. However, from March 31, 2006, when the prior director retired, to June 29, 2006, when the interim director properly certified the fixed asset inventory, accountability was not established over fixed assets. Also, from November 19, 2006, when the current director was hired, to July 10, 2007, when the current director eventually certified the fixed asset inventory, accountability was not established over fixed assets.

**Management Action.** Library management concurred with the finding and stated: "This is duly noted. Will ensure fixed asset transfer accountability for any future changes in directorship. The library management will be putting together a check list for personnel changes due to resignation, termination or retirement. The check list will include all the findings cited in item 4 (A-C) as well as the relinquishing of access cards, credit cards, employee badge, keys/combinations, etc."

5. **Sensitive Non-Fixed Assets.** Library's sensitive non-fixed assets list was not verified periodically by an individual independent of the tracking of these assets. Sensitive non-fixed assets are non-capitalized items with a value of less than \$5,000, and are subject to pilferage and misappropriation if not properly controlled. Although Library defined and tracked sensitive non-fixed assets as information technology items, the responsibility for physically verifying the existence of these assets fell to the person responsible for maintaining the asset list. As a result, the 367 assets on the list were susceptible to theft without detection.

**Management Action.** Library management concurred with the finding and stated: "Management will discuss a change in procedure and will inform the Auditor's office of the new process once established and implemented. Time table for this change is six to nine months."

6. **Refund Documentation.** Documentation for refunds paid from Library's outside bank account was not always adequate. Of six refund checks we reviewed, the sole documentation provided for one \$45.60 refund was an email briefly describing the need for the refund of meeting room fees. No receipt was provided from the original transaction nor any other document confirming the amount owed to the patron. In addition, the refund was paid from the "petty cash" outside bank account, the intended use of which is for "lost book refunds" and "payment of charges for interlibrary loans." Therefore, drawing a refund for meeting room fees from the "petty cash" outside bank account did not appear to be appropriate.

**Management Action.** Library management concurred with the finding and stated: "The outside bank account was incorrectly named, this account was used for all refunds whether lost books, meeting room fees or interlibrary loan payments. This was money that had been collected and taken in as



revenue to revenue source 9791. We have stopped using the outside bank account and will close it out once it has been dormant for six months per the Auditor's office recommendation. All refunds are now processed through the Auditor's trust which will give us better control of payments and an in house audit trail. Refunds are not made to patrons unless they bring in their receipts which are kept by the requesting library. Libraries will be instructed to send copies of these receipts."

7. **Trust Fund Reconciliations.** Year-end reconciliations for Library trust fund 6320, which was established to maintain city-owned funds for individual libraries and specialized funds for Library Administration, were not always submitted to the Auditor-Controller in a timely manner. Year-end 2006-07 reconciliations were due to the Auditor-Controller by August 8, 2007, according to a memorandum sent to all applicable agencies; however, Library's reconciliation was not received by the Auditor-Controller until 77 days later on October 24, 2007. Additionally, Library's year-end reconciliation for FY 2005-06 was due August 9, 2006, but was not received until 20 days later on August 29, 2006. As a result of late reconciliations, management's ability to identify unauthorized transactions in a timely manner was diminished.

**Management Action.** Library management concurred with the finding and stated: "We are currently striving to keep trust fund reconciliations current, which is difficult due to under staffing of Administration. Year end certification will be timely in FY 07-08."

8. **Transaction Authorization.** Accounting transactions were not always properly authorized according to forms submitted to the Auditor-Controller's Office. Specifically, we noted that deposits were made to the "petty cash" outside bank account to replenish the account; however, no individuals were authorized to make deposits into this account according to the *Bank Account Inventory and Report of Bank Balance* form. Therefore, Library needed to review and update applicable forms to accurately reflect authorized practice.

**Management Action.** Library management concurred with the finding and stated: "This form will be corrected this year, however we are no longer making deposits into the petty cash outside bank account because we are closing it and processing all refunds through the County's Auditor's Trust."

**AUDITOR'S EVALUATION OF MANAGEMENT ACTION:** We believe that management actions taken or planned were responsive to the audit findings. Management planned to complete corrective actions by December 31, 2008.

We appreciate the cooperation and assistance extended by you and your staff during this audit.