

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Jackie Griffin, Director, Ventura County Library

Date: May 30, 2013

From: Jeffery S. Burgh, Assistant Auditor-Controller

**Subject: AUDIT OF VENTURA COUNTY LIBRARY CASH AND MATERIALS INVENTORY
MANAGEMENT**

We have completed our audit of cash and materials inventory management for the Ventura County Library ("Library"). Our overall objective was to determine whether appropriate actions were taken by Library to effectively and efficiently manage cash and materials inventory. Our audit included evaluation of corrective action taken by Library management to address cash management issues noted during our prior audit of the change in director for Library completed in June 2008. Except as disclosed in the attached report, the audit was conducted in conformance 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 report.

EXECUTIVE SUMMARY

Library's cash management was in continued need of improvement. Of the 10 cash management findings in our prior audit, we noted continuing concerns with 9 of the findings. We also identified several other issues that indicated poor accountability over various aspects of the cash collection and deposit process as well as risks to the proper safeguarding of cash. Our audit also disclosed concerns regarding Library's handling of unpaid fines and fees owed to the County by Library patrons. Although Library's materials inventory appeared sufficiently managed using the Horizon comprehensive library automation system ("Horizon"), we noted that:

- Library did not request discharge from accountability by the Auditor-Controller for over 42,000 patron accounts with outstanding charges of \$185,000 that were purged from Horizon.
- Uncollected debt of \$2 million in patron fines and fees that had accumulated over a 22-year period had not been reported to the Auditor-Controller.
- Documentation did not always support the rationale for the waiving of \$12,000 in late fines during a 6-month period for the six library branches we sampled.
- The 12 library branches continued to retain a total of \$1,400 in reserve funds without proper authority.
- Cash on hand did not match expected amounts, ranging from \$0.81 short to \$53.04 over.
- Cash register collections of late fines were not always reflected in Horizon.

Jackie Griffin, Director, Ventura County Library

May 30, 2013

Page 2

- Deposits did not always match collections, ranging from \$0.50 under-deposited to \$48.15 over-deposited for our samples.
- Cash was susceptible to inappropriate access in certain branches, including an instance where the safe combination was posted on a bulletin board.

Library initiated corrective action to address our findings. Corrective action is planned to be completed by June 30, 2014.

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

Attachment

cc: Honorable Peter C. Foy, Chair, Board of Supervisors
Honorable Steve Bennett, Vice Chair, Board of Supervisors
Honorable Linda Parks, Board of Supervisors
Honorable Kathy Long, Board of Supervisors
Honorable John C. Zaragoza, Board of Supervisors
Michael Powers, County Executive Officer

**County of Ventura
Office of the Auditor-Controller**



**AUDIT OF VENTURA COUNTY LIBRARY
CASH AND MATERIALS INVENTORY MANAGEMENT**

May 30, 2013

**Jeffery S. Burgh
Assistant Auditor-Controller**

AUDIT OF VENTURA COUNTY LIBRARY CASH AND MATERIALS INVENTORY MANAGEMENT

TABLE OF CONTENTS

	Page
Background	1
Scope.....	1
Findings.....	2
I. Patron Debt Management.....	3
1. Discharge from Accountability.....	3
2. Reporting of Uncollected Fines and Fees.....	4
3. Late Fine Waivers	4
II. Cash Management.....	4
1. Cash Accountability and Collections.....	5
A. Unrecorded Change Funds and Reserve Funds	5
B. Cash Count	5
C. Excess Cash	5
D. Unaccounted Change Funds	6
E. Collection Amounts	6
F. Cash Overages and Shortages	6
G. Copy Machine Revenue	7
H. Delegation of Authority.....	7
I. Debt Collection Fee	7
2. Cash Deposits.....	8
A. Deposit Amounts	8
B. Dual Custody.....	8
C. Outside Bank Account	8
3. Safeguarding Cash.....	9
A. Access to Cash	9
B. Counting and Transporting of Cash Drawers	9
C. Cash Register Assignment	9
4. Refund Documentation	10
III. Materials Inventory Management	10
1. Horizon Program Oversight	10
A. Horizon Program Access	10
B. Item Status Updates	11
2. Shipping Area	11
Auditor's Evaluation of Management Action.....	11

AUDIT OF VENTURA COUNTY LIBRARY CASH AND MATERIALS INVENTORY MANAGEMENT

BACKGROUND

The Ventura County Library ("Library") is comprised of 12 libraries, administrative offices, and support services. 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.

Library uses the Horizon comprehensive library automation system ("Horizon") to maintain an online catalog of library materials, track items borrowed from library branches, and process information for new items purchased. Horizon also records late and lost book fines due from and paid by Library patrons. Library branches deposited over \$220,000 in various fines and fees collected during fiscal year ("FY") 2010-11.

Library was authorized 142 positions for FY 2010-11 and a combined budget of over \$10 million. The allotted core materials budget for FY 2010-11 totaled approximately \$370,000, which allowed an estimated 10,000 items to be purchased with core funds. During FY 2010-11, an additional 12,000 items were purchased from monetary donations and contributions, and an additional 20,000 items were donated directly.

Our prior audit of the latest change in director for Library, completed on June 11, 2008, identified 10 findings pertaining to cash management concerns. During that audit, we also recognized that Library's materials inventory management processes would benefit from our future review.

SCOPE

Our overall objective was to determine whether appropriate actions were taken by Library management to effectively and efficiently manage cash and materials inventory. Specifically, we:

- determined whether controls over cash accountability and collections had been strengthened since our prior audit of Library's change in director;
- verified that cash deposits were processed in a timely manner and that deposits were complete and accounted for properly;
- evaluated controls for safeguarding cash at library branches;
- determined whether collection development and acquisitions procedures were appropriate to control inventory purchases;
- determined whether cataloging procedures were sufficient to ensure the proper recording and tracking of inventory; and
- determined whether controls were sufficient to properly account for inventory retirement.

We performed audit tests and evaluations using documents provided by Library and the Auditor-Controller's Office, including various reports generated by Library's Horizon database. We reviewed the relevant operations of Library Administration and six library branches, including a surprise count of cash for all six branches. Except as discussed in the following paragraph, the audit was performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of

Internal Auditors ("*IIA Standards*"). For our audit, we used documents and records for the period May 1998 through January 2013.

In connection with our audit, certain disclosures are necessary pursuant to *IIA Standards*. Specifically, *IIA Standards* state: "If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment." In the temporary absence of an appointed or elected Auditor-Controller, the County Executive Officer ("CEO") has designated the Assistant Auditor-Controller as acting department head with an associated assignment pay premium. This necessarily impairs *IIA Standards* regarding independence because the Assistant Auditor-Controller currently receives the acting department head assignment pay premium as approved by the CEO and because the department under audit is subject to CEO oversight. However, as our audit was conducted free from interference by the CEO, the reader of this report can rely on the information contained herein.

FINDINGS

Overall, we found that Library's cash management was in continued need of improvement. We also noted concerns regarding Library's handling of unpaid fines and fees owed to the County by Library patrons.

Specifically, Library purged Horizon patron accounts with outstanding charges of approximately \$185,000 without pursuing a discharge from accountability with the Auditor-Controller to relieve Library from future collection efforts. Further, an accounting of the nearly \$2 million in uncollected fines that had accumulated over the 22-year period from 1989 through 2011 had not been provided to the Auditor-Controller for financial reporting purposes. In addition, we noted that late fines were waived without documented rationale.

Library also generally had not implemented adequate corrective action to address the cash management findings in our prior audit report. We did find that corrective action had been adequate to ensure that funds were stored in the branch safes. However, although Library had installed cash registers with codes to record the miscellaneous fees that Horizon could not accommodate (e.g., library card fees and meeting room rental fees), Horizon collections did not always reconcile to cash register tapes. Also, although a Wells Fargo sub-account was eventually established to simplify the deposit process for the individual libraries, Library did not pursue action on this issue until questioned during our current audit.

Of notable concern was that Library continued to employ "reserve funds" at each branch, totaling nearly \$1,400 system-wide, for which proper authority and accountability had not been established. In addition, our cash counts disclosed that cash on hand did not match expected amounts and that funds retained by the branches appeared excessive. We identified additional change funds at the branches that generally were not accounted for, and we found that cash overages and shortages were not recorded properly or addressed timely. Copy machine revenue was not reconciled to expected amounts, authority for cash responsibilities was not delegated as reported to the Auditor-Controller, and debt collection fee payments lacked sufficient visibility.

Continuing concerns were also noted during the cash deposit process, as deposits did not always reflect amounts collected and deposits were not processed in dual custody where possible. Cash was also at risk of theft or other misappropriation due to inappropriate access to combinations and keys where cash was

stored, and due to how cash was counted and transported within the branches. We also noted that accountability could be strengthened by assigning cash registers to specific employees at multi-staffed libraries and by requiring that refunds be accompanied by the original receipt.

We did note, however, that Library's materials inventory appeared to be sufficiently managed during the materials acquisition, cataloging, and retirement processes. For example, we found that adequate actions were taken to: process and track incoming and outgoing materials; ensure that licensing agreements were current; monitor the status of backordered materials; limit purchases within authorized amounts; update availability of missing items in Horizon; and discard outdated materials. Library had also implemented radio frequency identification ("RFID") in all branches to facilitate the efficient check-in and check-out of materials. Nevertheless, we did identify areas where Horizon was not always properly updated, and we noted that the materials shipping area was not always secured from unauthorized access.

Following are details of the areas where improvements were needed. Library management initiated corrective action during the audit as noted.

I. **Patron Debt Management.** Library's handling of outstanding debt owed by patrons to the County was not always appropriate. Outstanding debt in the form of fines and other charges to patrons is usually the result of overdue, lost, or damaged materials. At the point a patron's account balance reaches \$10, Horizon suspends patron borrowing privileges. Patron account balances of \$40 or more are referred to a collection agency. Of the nearly \$2 million in accumulated uncollected fines and fees reported in 2011, approximately 14 percent had been submitted to the collection agency while the remaining 86 percent rested with Library to collect. However, Library recently purged nearly \$185,000 in patron accounts from the Horizon record without pursuing a discharge from accountability with the Auditor-Controller. Further, uncollected amounts were not reported as accounts receivable, and late fines were often waived without documented rationale.

1. **Discharge from Accountability.** Library did not request a discharge from accountability by the Auditor-Controller prior to purging patron accounts from Horizon. A discharge from accountability for the collection of certain debts (i.e., either too small to justify the cost of collection or unlikely to be collected) must be authorized by the Auditor-Controller. Government Code Section 25259 specifies that such a discharge from accountability does not constitute a release of any person from liability for payment; rather, this would relieve Library from the responsibility of continuing collection efforts for approved accounts. In 2012, to free up space in Horizon, Library Information Technology staff was directed to delete patron accounts that: 1) had not checked out materials for 8 years; 2) were not authenticated (i.e., used online resources) for 3 years; and 3) had outstanding charges of less than \$25. (Note: Accounts that included lost book fines were not deleted.) Although Library retained the outstanding balance for each deleted account outside of Horizon, purging the 42,690 accounts with outstanding charges of \$184,423 from Horizon removed the accounts from visibility for future collection.

Management Action. Library management stated:

- Auditor-Controller had not indicated in prior audits that a discharge from accountability is required. In the future, we will request a discharge from accountability, but will need instructions from the Auditor's Office on how to proceed.

- VCLS (i.e., Ventura County Library Services) maintains the following procedures for fines and fees:
 - VCLS sends out a notice of overdue items followed by a billing notice.
 - Patrons with over \$10 in fines are barred from checking out materials.
 - A collection agency pursues all debt exceeding \$40.
 - All patron records with lost items retained.
 - Copy of records retained after purge.
2. **Reporting of Uncollected Fines and Fees.** Actions were needed by Library to properly address uncollected fines and fees for financial reporting purposes. Our review of Library's Total Outstanding Debt Report from 2011 disclosed that the Library system had accumulated nearly \$2 million in uncollected fines and fees (e.g., for lost, damaged, or overdue materials) over a 22-year period. This amount had not been reported to the Auditor-Controller as accounts receivable nor had a corresponding allowance for doubtful accounts been established.

Management Action. Library management stated:

- See response for item #1 outlining Library procedures for fines and fees.
 - VCLS has begun to report uncollected fines and fees as accounts receivable.
3. **Late Fine Waivers.** Waivers issued by Library associates for late fines incurred by patrons were not always justified with proper documentation. Late fines may be waived in certain circumstances (e.g., due to the patron's illness) or when items checked out to a patron are found on library shelves. Although Horizon contains a field wherein comments can be entered explaining the waiver, the field is not required to be used. The six library branches sampled waived over \$12,000 in fines within a 6-month period. Without documenting the rationale for the waiving of fines by library associates, whether such waivers were valid and appropriate could not be determined.

Management Action. Library management stated:

- Management depends upon branch staff to use judgment and discretion to balance responsibility for public funds with patrons' access to free public libraries.
 - Branch supervisors and managers have been asked to have their staff enter justification and initials when waiving fees. In addition, a weekly report of waived fines and fees will be submitted to Administration with the branch manager's or supervisor's signature approving the waivers. This will be compared with the report received from Horizon and an explanation will be requested for any discrepancies. Email with instructions to staff is being copied to the auditor under separate cover.
- II. **Cash Management.** Library's cash management process did not always effectively and efficiently ensure that cash balances and collections were properly accounted for, deposited, and safeguarded. As a result, significant concerns were raised during our audit regarding the integrity of cash operations and Library's ability to address the concerns in a timely and effective manner.

1. **Cash Accountability and Collections.** Library's processes for establishing accountability over cash balances and collections were in continued need of improvement. We noted various issues that needed to be addressed, mainly related to the recording and reconciling of cash.

- A. **Unrecorded Change Funds and Reserve Funds.** Library had not taken sufficient action since our prior audit to ensure that all change funds and reserve funds were accurately recorded in the Ventura County Financial Management System ("VCFMS"). Although the authorized change funds for all 12 library branches was recorded in VCFMS as \$578, Library documented beginning daily balances as \$2,058.05. Of this amount, \$676.50 was tracked by Library as change funds and \$1,381.55 as reserve funds (i.e., retained by the branch to prepare cash drawers in advance and make change for large denomination currency). Amounts from prior collections were held at each branch to establish the additional change funds and reserve funds without authorization from the Auditor-Controller and proper recordation in VCFMS.

Management Action. Library management stated:

- By June 30, 2013 all change funds will be established in VCFMS.

- B. **Cash Count.** During our surprise cash counts, the actual cash on hand did not match the expected amounts as similarly reported in our prior audit. The morning cash (including change funds, reserve funds, and prior day collections not yet bundled for deposit) at all six library branches that we counted did not match the amount documented by the branch, ranging from \$53.04 over to \$0.81 short. Also, checks not yet submitted for deposit for one branch were not documented properly on the library's cash worksheet. Accurate balances are critical to establish proper accountability over daily cash collections.

Management Action. Library management stated:

- To enhance accountability, all cash counts and reconciliations will be performed centrally beginning in FY 13/14.

- C. **Excess Cash.** As also reported during our prior audit, the amounts retained by the branches for making change (i.e., change funds and reserve funds) appeared to be larger than the business needs of each branch. For all six of the branches we reviewed over a 3-month period, average combined change fund and reserve fund balances of \$335 exceeded the average daily amount of fines and fees paid of \$95 by approximately 250 percent. Had the reserve funds been deposited, the amount of actual change funds averaged \$81, or 15 percent below the average amount of fines and fees, which appeared more reasonable.

Management Action. Library management stated:

- Change and reserve fund balances are in keeping with historic individual branch needs.
- The amounts will be established at an adequate level for providing change to customers that pay with large bills. To provide the best customer service, and increase the likelihood of collecting fines, we try not to turn customers away when they want to pay their fines with

large bills. We will be establishing change funds at every library before this fiscal year end. Change fund amounts will be commensurate with branch need, and will include: all the cash they keep on hand to start the day, the cash in the safe to make change, the starting cash in the register drawers, and the start-up coins in the copier and the Envionware.

- D. **Unaccounted Change Funds.** Library branches did not always account for coins set aside to mechanically provide patrons with change when paying for computer print-outs. Coin tubes in the print stands at each branch were filled with \$40.55 in change. However, we found that five (83%) out of the six sampled library branches did not account for the monies contained within the coin tubes as part of the branch change funds or reserve funds, totaling \$202.75 in unaccounted change funds. Without proper recordation of these funds, full accountability could not be established, exposing the organization to risk of loss, theft, or misappropriation of these change funds without detection.

Management Action. Library management stated:

- Recordation of coin funds will be implemented by July 1, 2013.

- E. **Collection Amounts.** Collections accounted for in cash registers did not always match amounts recorded in Horizon. For example, our review of late fines paid at six library branches, for a total of 30 days reviewed, disclosed 8 (27%) days where three (50%) branches reported cash register amounts that exceeded Horizon-reported collections by \$1.05 to \$21.00. This indicated that payment of fines was not properly recorded within Horizon, which could call into question the integrity of patron account balances.

Management Action. Library management stated:

- Variations between Horizon and cash register were chiefly created by using non-applicable Horizon codes. Staff has been instructed in appropriate use of codes.

- F. **Cash Overages and Shortages.** Cash overages and shortages were not recorded in VCFMS and were not addressed by Library Fiscal Services in a timely manner. Administrative Policy No. Chapter VII(A)-9, *Cash Handling Responsibilities and Guidelines*, states: "Cash overages/shortages should be properly recorded on daily cash receipts using the Cash Over revenue account or the Cash Under expenditure account." However, rather than recording daily overages and shortages in the separate accounts, branches netted the overages and shortages against the collections deposited. Of the monthly Daily Cash Reconciliation spreadsheets we reviewed for five branches, all five had overages and shortages on at least one day of the month. One branch had overages and shortages on every day of the month ranging from \$189 short to \$177 over. Although this specific condition was reviewed by Library Fiscal Services at the end of the month and resolved as a paperwork error, a full month passed before the significant over/short condition was addressed.

Management Action. Library management stated:

- All cash counts and reconciliations to be performed centrally beginning in FY 13/14.

G. **Copy Machine Revenue.** Library branches did not reconcile self-service copy machine revenue to copy machine meter counts. Copy machines were available for patrons to use for a fee at each of the six branches we reviewed. However, logs of copy machine meter counts were not maintained for staff to compare the last meter count to the current meter count. Therefore, when the copy machine revenue was periodically removed from the machines, staff could not confirm reasonableness of the revenue. As Library reported \$7,000 in copy machine revenue for calendar year 2011, a formalized consistent procedure for the collection and reconciliation of copy machine revenue may help further strengthen branch oversight of revenue collection.

Management Action. Library management stated:

- Log of copy machines meter readings has historically been located in VCLS administrative offices. Meter readings are reported monthly.
- Management will review procedures to ensure adequate measures are implemented.

H. **Delegation of Authority.** Library did not always report the delegation of authority for duties relating to change fund reconciliations or the location of change funds accurately to the Auditor-Controller. The *Delegation of Authority for Individual Department Petty Cash, Change and Revolving Funds* form is required in part to identify the persons authorized to perform specific duties related to these funds and the location of the funds. Duties include responsibility for the custody, request for reimbursement, and reconciliation of department funds. For all six library branches we reviewed, a total of 12 individuals who were not listed on the form performed reconciliation duties. Failure to properly specify delegation of authority over funds could increase the risk of lack of appropriate segregation of duties. Further, although the Wright Library closed in November 2009, the Auditor-Controller was not notified until July 2011 that the assigned \$30 change fund was transferred to another branch.

Management Action. Library management stated:

- Corrected in FY 11/12.

I. **Debt Collection Fee.** Payment of fines was not always separated from payment of debt collection fees within Horizon, reducing Library's ability to analyze the sufficiency of the debt collection fee charged. Library procedures direct that a \$10 collection fee be added to patron accounts with balances of \$40 to cover the cost of sending the account to the collection agency. Although Horizon provides a separate input field for payment of the debt collection fee, five (83%) of the six branches we sampled also posted the payment of fines within the debt collection field. Because debt collection fee payments were not accounted for separately, Library could not evaluate whether the fees collected were adequate or needed to be revised to cover costs of sending accounts to the collection agency.

Management Action. Library management stated:

- VCLS uses multiple data points to analyze effectiveness of collection methods and reimbursement.
- Staff training on appropriate data entry has been reinforced.

2. **Cash Deposits.** Adequate corrective action had not been taken to improve the cash deposit process. Specifically, lack of action to ensure that deposits were complete and accounted for properly continued to place collections at risk of loss or misappropriation without detection. We also noted that lack of timely action in establishing sub-accounts for depositing directly into the County's bank undermined the efficiency of operations and resulted in unnecessary costs.

- A. **Deposit Amounts.** Library had not taken sufficient action since our prior audit to ensure that deposit amounts coincided with the amount of collections. Our tracing of one deposit to collections for each of six branches disclosed unreconciled differences for five (83%) of the branches. Deposits exceeded collections for four of the branches by variances ranging from \$4.07 to \$48.15, suggesting that collections were not recorded or that branch reserve funds were deposited with the collections. Conversely, collections exceeded deposits for one branch by \$0.50, which could indicate that the variance was misappropriated or placed with the branch's reserve funds. Without proper accounting for the variances between deposits and collections, however, integrity of the deposit amounts could not be determined.

Management Action. Library management stated:

- Cash handling activities will be centralized in FY 13/14.

- B. **Dual Custody.** Management had not taken sufficient action to ensure that deposits were processed in dual custody for multi-staffed library branches. In response to the prior audit, management stated that all multi-staffed libraries were instructed to have two initials on the deposit slip. This would confirm that two staff members were present when deposits were prepared and counted, thereby reducing the risk of a loss occurring. However, we observed that deposits were processed by only one person at both multi-staffed libraries, as supported by only one set of initials on the deposit documents.

Management Action. Library management stated:

- Centralized cash handling to be implemented in FY 13/14.

- C. **Outside Bank Account.** Library management had not taken timely action to streamline the deposit process by pursuing the establishment of a Treasury sub-account at Wells Fargo (i.e., the County's bank). We had previously reported that, because branches deposited in an outside bank account with a different bank, the requisite monthly transfer of these funds into the County's bank could be eliminated. We also reported further efficiencies to be gained because many Wells Fargo locations were closer in proximity to library branches. Although Library had stated in our prior audit that action on this issue would be completed in 2009, no action had been taken until we questioned the status during our current audit. As a result of

the 3-year delay, Library incurred unnecessary bank service charges exceeding \$3,000 for continuing to use the outside bank account.

Management Action. Library management stated:

- Outside bank account closed in December, 2011.

3. **Safeguarding Cash.** Cash was not always adequately safeguarded from theft or misappropriation due to control weaknesses in limiting cash access, visibility, and accountability.

A. **Access to Cash.** Cash was susceptible to inappropriate access in certain instances we noted during our audit. Specifically:

- At one branch, the safe combination was written on a copy of the branch's Cash Handling Procedures, which was posted on an employee bulletin board in sight of the public. The safe holds approximately \$400 at any given time and common knowledge of the safe combination by unauthorized personnel exposes the funds to risk of theft or misappropriation. Also, because the safe combination had been compromised, the combination needed to be changed and re-issued discreetly to authorized individuals. (Note: We notified Library Fiscal Services the same day that we observed the posting and confirmed that the posting had been removed during a later visit.)
- At another branch, the key to the bank deposit pouch, containing cash and checks, was on the same key ring with the key to the women's restroom. Unauthorized access to the key that unlocks the deposit pouch exposes the branch funds to heightened risk of theft.

Management Action. Library management stated:

- Security measures have been reviewed and staff has been trained on procedures to safeguard cash.

B. **Counting and Transporting of Cash Drawers.** Cash drawers were not always counted or transported discreetly. Of the six branches we observed, three (50%) verified daily beginning and ending cash drawer balances, including change funds and daily collections, in public view: two branches counted at the front counter; and one branch counted a table in the back office in sight of the front counter. At one of these branches, cash drawers were also transported to/from registers throughout the branch uncovered and in plain sight. Limiting the visibility of cash funds from public view could reduce risk for library associates.

Management Action. Library management stated:

- Management has reviewed appropriate security measures with staff regarding the counting and transporting of cash.

C. **Cash Register Assignment.** As similarly reported during our prior audit, cash registers were not assigned to specific employees in multi-staffed libraries. High volume library branches with

multiple employees ringing on a single register would benefit from a system of register accountability. For example, we noted that the two branches with multiple employees ringing on multiple registers experienced nearly daily cash overages and shortages. Multiple employees with contemporaneous access to a single register could make the individual responsible for any daily overage or shortage difficult to ascertain.

Management Action. Library management stated:

- Management will review procedures and possible solutions that will improve accountability but not adversely affect public service.

4. **Refund Documentation.** As similarly reported in our prior audit, refunds paid from the Auditor's Refund Trust Account were not always supported with documentation confirming the original transaction. Of four refund requests made to the Auditor-Controller's Office that we reviewed, one (25%) refund for \$25 was based solely on an email briefly describing the need for the refund of meeting room fees. No receipt was provided from the original transaction to substantiate the validity of the refund request. In addition, the explanation provided on the trust withdrawal form requesting the refund identified all of the refunds on the form as related to inter-library loans. As a result, the meeting room fee refund was inaccurately posted in VCFMS to offset the revenue source code used for inter-library loans rather than the revenue source code used for meeting room rentals.

Management Action. Library management stated:

- Procedures updated to include a physical receipt for each meeting room rental.

- III. **Materials Inventory Management.** Opportunities were available to strengthen controls over the management of Library's materials inventory. We noted certain risks to the integrity and security of the materials inventory, including lack of timely update to Horizon and failure to secure the materials shipping area at all times.

1. **Horizon Program Oversight.** Horizon program controls was not always adequate to properly secure and update information within the system.
 - A. **Horizon Program Access.** The Horizon user list was not always updated to ensure the integrity of system changes. Specifically, 2 (14%) out of 14 Library personnel with access to the Horizon Acquisitions module were no longer authorized. Furthermore, 4 (40%) out of 10 Library personnel with access to the Horizon Cataloging module were no longer authorized. Ensuring the timely revocation of system access for any County employee leaving employment or changing position assignments is vital to prevent the possibility of unauthorized changes to County information or programs.

Management Action. Library management stated:

- Security policies have been reviewed and changes have been implemented to strengthen controls for updating information within the Horizon system.

- B. **Item Status Updates.** The status of items cataloged in Horizon were not always updated in a timely manner. We requested a list of items set at "Mend" status in Horizon throughout the Library system, which identified those materials taken out of circulation for repair as of the date of our request. We were informed that items are typically mended within 5 days and returned to the shelves for circulation, or discarded if beyond repair. However, of the 578 items on the list, 198 (34%) had been on "Mend" status for over 1 year and 95 (16%) had been on "Mend" status for over 3 years. Another 13 (2%) belonged to Wright Library, which was closed in 2009. Furthermore, all 17 items listed for a branch we visited were no longer physically located in the "Mend" section of the library. Keeping the status of items updated properly in Horizon is essential in assisting Library personnel with tracking the condition, location, and availability of items for patron use.

Management Action. Library management stated:

- While mending is an important element in ensuring all available materials are in circulation, it is a lower priority and must be balanced against activities that directly impact essential services to the public.
 - Process will be reviewed.
2. **Shipping Area.** The materials shipping area in the Library Administration Building was not always properly secured by controlling access to the area. Although the shipping area was generally manned by the Library book delivery driver, we observed times when no personnel was present and the roll-up doors were left wide open. The risk of pilfering of Library materials in the shipping area could be mitigated by closing the roll-up doors when the area is unmanned.

Management Action. Library management stated:

- Shipping area now secured. Accessible only from interior of building.

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 action by June 30, 2014.