

I. EXECUTIVE SUMMARY

In this review we examined accountability of reported cash collections, the adequacy of internal control procedures, and compliance with City and library cash handling policies at the Lincoln Branch Library. We accounted for all reported cash receipts within the test period. Additionally, the results of this review indicate, in general, adequate internal control procedures over the branch's operations and compliance with City and library cash handling policies. However, we noted the following findings that require management attention to improve administrative and internal controls and to ensure compliance with prescribed policies.

- ◆ The Office of Public Integrity (OPI) noted that library personnel do not always follow the cash deposit procedures outlined in the City's and library's cash collection policies. Library personnel deposited revenue collected on 51 of the 76 days in the test period beyond the period required by City and library policy.
- ◆ Lincoln Branch Library personnel do not reconcile daily cash register summaries to daily CARL (Colorado Alliance of Research Libraries) system transaction summaries.
- ◆ Library policy requires that Lincoln Library personnel take a cash register "x-read" at the midpoint of the day every Monday through Friday. We noted that library personnel did not take these x-reads for eight of the 63 days required during our test period.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

The Office of Public Integrity routinely examines systems and City-administered cash collection processes as well as compliance with established policies. As part of our annual work program we conducted an examination of cash receipts reported by the Lincoln Branch Library.

B. Background

The Lincoln Library lends and receives library materials, collects fines, and provides information to patrons. In conjunction with these responsibilities, the unit handles cash transactions resulting from fines, reserves, book sales, lost books and audio visual materials, printing fees and the sale of computer disks and flash drives. For the fiscal year ended June 30, 2010, the Lincoln Library reported revenue of \$14,539.80.

C. Objective and Scope

The objectives of the review were to assess the adequacy of internal controls over daily receipts, to determine the validity of reported cash receipts and to determine that library employees follow City and library cash handling policies. The Office of Public Integrity examined all recorded cash transactions at the branch during the period May 1, 2010 through July 31, 2010. The review included an analysis of cash handling procedures and an examination of supporting documentation. During this period, the Lincoln Library reported revenue of \$ 3,677.12.

Management is responsible for establishing and maintaining a system of internal accounting and administrative control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

The recommendations presented in this report include the more significant areas of potential improvement that came to our attention during the course of the examination, but do not include all possible improvements that a more extensive review might develop. In addition, it is the nature of an audit to focus on problems and areas for improvement, rather than on a program's strengths. Therefore, although this report may present critical comments, we nevertheless do not intend to infer the lack of positive attributes in the administration of the Lincoln Branch Library.

III. RESULTS OF REVIEW

The results of our testing indicate, in general, adequate internal control procedures over the branch's operations and compliance with City and library cash handling policies. Additionally, we were able to determine that the branch deposited all revenue recorded on the cash register. However, we noted the

following deficiencies in administrative and internal control and non-compliance with prescribed policies that require management attention.

A. Untimely Deposits of Library Revenue

City Cash Collection Policies and the Rochester Public Library Cash Handling Report require that City personnel deposit all cash within five days of receipt or immediately upon the accumulation of \$100, whichever occurs first. The Office of Public Integrity noted that personnel from the Lincoln Branch Library do not always deposit cash collections in accordance with these policies.

During the period May 1 to July 31, 2010, the Lincoln Library reported cash collections of \$3,677.12. OPI noted that library personnel delinquent deposited cash collected on 51 of the 76 days in this period. These 51 days account for \$2,488.38 or 68% of the total revenue collected in the test period. The following table summarizes these late deposits.

Lincoln Branch Library
Analysis of Delinquent Deposits
For the Period May 1 to July 31, 2010

Frequency of Occurrence

<u>Days Deposited Late</u>	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Timely deposits	25	33%	\$ 1,188.74	32%
Deposited 1 day late	22	29	1,016.64	28
Deposited 2 days late	14	18	689.89	19
Deposited 3 days late	9	12	520.65	14
Deposited 8 days late	3	4	139.00	4
Deposited 9 days late	<u>3</u>	<u>4</u>	<u>122.20</u>	<u>3</u>
Totals	<u>76</u>	<u>100%</u>	<u>\$ 3,677.12</u>	<u>100%</u>

Timely deposits of cash are important because a delay in deposit results in a greater risk of theft or diversion. Additionally, personal checks received in payment may be good upon receipt, but not at a later point in time. Finally, undeposited cash is idle cash and does not contribute to the best possible utilization of City resources.

◆ Recommendation

Lincoln Branch Library personnel should deposit cash receipts in accordance with City and library policies.

B. Library Personnel Do Not Reconcile the Daily Cash Register Summaries to the CARL System

Lincoln Branch personnel enter cash collection transactions in both the cash register and the CARL system, which is the library automation system of material available for borrowing, material on loan to patrons, patron history and a history of cash transactions. The two systems are not integrated. That is, the cash register provides summaries of cash activity only, while the CARL system provides information regarding material on loan and delinquent material outstanding by patron, fine amounts due, and all payment information.

Cash collection transactions entered in the cash register do not flow to the CARL system. As a result, personnel have the ability to enter cash collections into CARL, reflect fines and all other types of cash collections as paid (thereby reflecting patron accounts as current), however, not enter those transactions on the cash register. Library personnel only reconcile daily cash register summaries to daily deposits.

This condition creates the potential for abuse in that personnel have the ability to manipulate cash collections in the CARL system, not record them in the cash register and not include them in daily deposits.

◆ Recommendation

Library personnel should reconcile daily cash register summaries to daily CARL system transaction summaries in order to substantiate reliance on reported cash collections.

C. "X-reads" Not Completed in Accordance with Policy

The Library Cash Handling Report requires that Lincoln Branch personnel take a cash register "x-read" at the midpoint of the work day every Monday through Friday. The cash register "x-read" provides a summary of the day's cash activity. This information is useful in identifying and assigning responsibility for any shortages or overages in the cash collections.

OPI noted that library personnel did not take an "x-read" on eight of the 63 days required by library policy. This is an error rate of 12.7%.

This condition allows for a delay in the detection of any overages or shortages and diminishes the ability to assign responsibility for these discrepancies.

♦ Recommendation

Library personnel should take a cash register "x-read" at the midpoint of the work day every Monday through Friday as required by library policy.

IV. DEPARTMENT RESPONSE

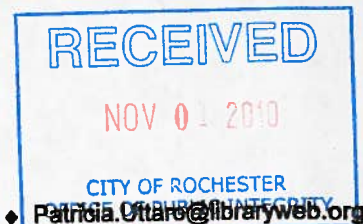
The response of the Library to this report begins on the next page.



Director's Office

115 South Avenue, Rochester, NY 14604-1896

Phone: (585) 428-8045 ♦ Fax: (585) 428-8353 ♦



Date: October 25, 2010
To: Kara Makely, Office of Public Integrity
From: Patty Uttaro, Rochester Public Library
Re: Response to Lincoln Branch Cash Handling Review

Three items were as issues with the cash handling process at the Lincoln Branch Library. Each one is addressed below.

1. Library personnel do not always follow the cash deposit procedures outlined in the City's and Library's cash collection policies.

Library Response: Staff at the Lincoln Branch has had issues with making deposits during times when those staff regularly assigned to the task are unavailable. David Creek, Assistant Director in charge of Branch Libraries, and Kevin Loughran, Library Finance Manager, will work with the Manager at Lincoln to train more staff on making deposits. In the absence of a trained staff member at Lincoln, or at any branch, David Creek will take the responsibility of making the deposit as the appropriate time.

2. Lincoln Branch personnel do not reconcile daily cash register summaries to daily CARL system transaction summaries.

Library Response: The library devoted a great deal of time in the last year to developing a work-around for this by having special reports run and distributed each day for reconciliation. After testing this process for several weeks, it was found to be very time-consuming, involving more than 20 hours a week for IT staff and branch staff to produce and reconcile the reports at two locations (Winton and Central). I determined that the staff costs were too high to justify continuing this process and expanding it to include all the branches.

However, the library will upgrade to a new release of the CARL system over Memorial Day weekend in 2011. As part of that upgrade, RPL will purchase an add-on called Payment.Solution that will connect CARL directly to our cash registers, providing the reconciliation desired by the City.

3. Library policy requires that Lincoln Library personnel take a cash register "x-read" at the midpoint of the day every Monday through Friday. We noted that library personnel did not take these x-reads for eight of the 63 days required during our test period.

Library Response: Staff will be retrained on taking x-reads and David Creek will explore the possibility of having a duplicate register tray available at each branch so the drawer can be pulled and reconciled without interrupting library service.

Thank you for your careful attention to this review and your willingness to work with us on correcting the errors.