

**Jacksonville Public Library  
Cash/Revenue Audit**

**Report #581**

**August 27, 2003**



## **EXECUTIVE SUMMARY**

August 27, 2003

Report No. 581

### **INTRODUCTION**

The Jacksonville Public Library (JPL) System consists of sixteen different library locations in Duval County, which includes the Main Library, located downtown, seven large regional libraries, seven smaller neighborhood libraries and one bookmobile, which operates in the outlying areas. The library's budget for fiscal year ended September 30, 2003 is \$21,155,133, which includes \$1,000,000 for new library materials. For the same budget year, revenue is budgeted at \$750,000 from Public Library Fees (this includes overdue fines and fees and lost material fees) and \$80,000 for Miscellaneous Sales and Charges (this includes charges from copy machines and microfilm). Through June 2003, the library had actual revenue of \$642,131 for Public Library Fees and \$57,561 for Miscellaneous Services and Charges. Actual expenditures as of June 2003 were \$15,675,009. Total authorized positions for the JPL as of June 30, 2003 is 292.

### **STATEMENT OF OBJECTIVES**

The objectives of the audit were as follows:

1. To determine if adequate controls exist over cash and the collection functions (Main Library and Branches) and to ensure proper safeguarding of assets.
2. To determine if efforts to collect overdue fines are adequate.

### **AUDIT CONCLUSIONS**

1. It appears that controls over cash and the collection functions are not adequate as evidenced by several findings and weaknesses.
2. Efforts to collect overdue appear to be adequate.

### **SIGNIFICANT WEAKNESSES AND FINDINGS**

Some of the significant weaknesses and findings include:

- The library's customer account database does not interface with any of the cash registers; therefore cash collections cannot be reconciled to customer account activity.
- Due to limitations with the current library computer system, any library employee could waive a fee in any amount without any approval.
- The JPL currently allows cardholders to say they have returned items up to ten times even if the library still shows the item as being on loan.
- Access to the cash registers and safes is not as restricted as it should be.
- Employees at branches do not appear to be very confident in the cash procedures they are performing.

**OFFICE OF THE COUNCIL AUDITOR**  
Suite 200, St. James Building



August 27, 2003

Report No. 581

Honorable Members of the City Council  
City of Jacksonville

Members of the Board of Trustees  
Jacksonville Public Library

**INTRODUCTION**

Pursuant to Section 5.10 of the Charter of the City of Jacksonville, and Chapter 102 of the Jacksonville Municipal Code, we examined the areas of cash, revenue and collection of outstanding fines for the Jacksonville Public Library and present this report thereon.

The Jacksonville Public Library (JPL) System consists of sixteen different library locations in Duval County, which includes the Main Library, located downtown, seven large regional libraries, seven smaller neighborhood libraries and one bookmobile, which operates in the outlying areas. The library's budget for fiscal year ended September 30, 2003 is \$21,155,133, which includes \$1,000,000 for new library materials. For the same budget year, revenue is budgeted at \$750,000 from Public Library Fees (this includes overdue fines and fees and lost material fees) and \$80,000 for Miscellaneous Sales and Charges (this includes charges from copy machines and microfilm). Through June 2003, the library had actual revenue of \$642,131 for Public Library Fees and \$57,561 for Miscellaneous Services and Charges. Actual expenditures as of June 2003 were \$15,675,009. Total authorized positions for the JPL as of June 30, 2003 is 292.

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**STATEMENT OF SCOPE**

The audit period for detailed testing of revenues was October 2002 through February 2003. For review of collection agency efforts, we reviewed data since the inception of the contract, July 1999 through April 2003.

**STATEMENT OF METHODOLOGY**

Our audit consisted of a review of the Library's operating practices, policies and procedures, the City of Jacksonville's Cash Handling Procedures, discussions and interviews with library personnel, as well as observations of processes.

Our report is structured to identify Internal Control Weaknesses and Audit Findings as they relate to our audit objectives. An internal control is a process affected by the administration, the Library's management and other personnel that is prescribed to provide reasonable assurance about the achievement of the Library's objectives in relation to the effectiveness and efficiency of operations, safeguarding of assets, and compliance with applicable laws and regulations. An Internal Control Weakness is therefore defined as either a defect in the design or operation of the Library's internal controls or is an area in which there are currently no internal controls in place to ensure that objectives are met.

### **STATEMENT OF AUDITING STANDARDS**

We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to afford a reasonable basis for our findings and recommendations regarding the organization, program, activity or function under audit. This audit also included an assessment of applicable management controls and compliance with requirements of laws and regulations when necessary to satisfy audit objectives. We believe our audit provides a reasonable basis for our conclusions.

### **AUDIT CONCLUSIONS**

1. It appears that controls over cash and the collection functions are not adequate as evidenced by several findings and weaknesses noted below.
2. Efforts to collect overdue fines appear adequate.

### **Auditee's Overall Response**

The Jacksonville Public Library openly welcomed the staff of the Council Auditor's Office. From the beginning, we looked forward to any recommendations that could assist the Library to better safeguard the City's funds.

The Library perceives the responsibility of handling public funds to be a serious and important matter. For this reason, it has placed reasonable controls on cash handling through best practices and written procedures. These procedures have been furnished to all staff. They are currently under revision and will include the concerns addressed in your report, as well as other modifications that have become necessary since last revising.

Notable recent and past accomplishments in the area of cash handling include: Initiation of pick up of deposits at all locations by armored car service to eliminate the need for staff to transport cash funds to the bank, procedures posted on the Library computer system's shared drive for reference by staff, availability of individual cash handling training for staff by Library Accounting Office and pilot of the use of a new computerized financial reconciliation sheet at six (6) locations (Main, Highlands, Regency, Southeast, Beaches, San Marco).

### **AUDIT OBJECTIVE #1**

In order to determine if adequate controls exist over the cash collection functions (Main Library and Branches) and that daily cash collections were properly safeguarded we performed surprise cash counts and observations as well as detailed testing of the cash collections process. Our specific weaknesses and findings for this objective are noted below.

### **Internal Control Weakness #1-1**

The library's customer account database (known as DRA) does not interface with any of the cash registers. When a customer pays an outstanding fine or fee, it has to be cleared up in the DRA system and then entered into the cash register as a sale. At the end of the month, the total sales transactions for fines and fees (including damages and lost materials) from the cash registers should equal the amount collected in the DRA system for these same categories. However, this is not the case. (Refer to chart below that compares amounts collected per the DRA system to the actual amounts deposited with the Tax Collector's Office)

#### ***Discrepancies between DRA and Amounts Deposited- October 2002 through February 2003***

<b>Branch</b>	<b>Amount Collected per DRA</b>	<b>Amount of Deposit</b>	<b>Deposit Over/(Short)</b>
Southeast	43,525.20	42,498.36	(1,026.84)
Main	51,905.42	51,247.52	(657.90)
Mandarin	49,408.20	48,982.59	(425.61)
Webb Wesconnett	47,093.45	52,049.35	5,615.90
Bradham Brooks Northwest	10,593.74	13,332.87	2,739.13
Regency	57,479.09	58,174.13	695.04
Highlands	27,750.60	28,143.09	392.49
Beaches	44,957.57	45,217.45	259.88

### **Recommendation to Internal Control Weakness #1-1**

We recommend that library personnel explore the possibility of having the customer account database interface with the cash registers to help eliminate the discrepancies that are currently noted between the two systems. This would also streamline the process at the circulation desks so that employees do not have to enter a transaction in two places. Employees would also be held more accountable for the funds collected. If the database cannot interface with the cash registers, then the development of a report that can be run at the end of the day from the DRA system should be used along with the "Z-tape" from the cash register for reconciliation.

### **Auditee's Response to Internal Control Weakness #1-1**

The Library is aware that a discrepancy exists between cash receipts shown by the cash registers and the automated DRA/SIRSI system. This is because the two systems are independent and are not interfaced. The DRA/SIRSI is primarily an operating system for tracking the use and history of library materials throughout the system. The automated system is not currently relied on for financial reconciliation of the Library's cash receipts.

As a result of this audit, the Library will, at minimum, attempt to furnish branch locations with a daily report of transactions and instruct them to begin to reconcile their daily cash register receipts with the DRA/SIRSI system's reports, annotating where and why discrepancies exist. Long range, the Library will investigate the expense involved to interface all cash registers with the automated system to provide a permanent "Check and Balance" step in reporting cash receipts.

### **Internal Control Weakness #1-2**

The JPL's Circulation Policy for Claims Returned states "Customers are allowed to claim up to ten items as returned which cannot be verified by the Library." This means that cardholders can say they have returned items up to ten times even if the library still shows the item as being on loan. It seems

that ten times is an extremely generous number of times for this to be allowed. We contacted three other library systems and only one had a policy that addressed this area. This library system only allowed a customer to claim an item was returned three times.

**Recommendation to Internal Control Weakness #1-2**

We recommend that the library administration review this policy and determine if the number of times a cardholder can dispute if an item was returned can be reduced.

**Auditee's Response to Internal Control Weakness #1-2**

The Library will benchmark with other library systems and will adjust its policy regarding the allowable number of "Claims Returned", adjusting the number to a quantity fewer than ten (10), if appropriate.

**Internal Control Weakness #1-3**

The JPL's policy on Forgiveness of Disputed Fines states, "It is the policy of the Jacksonville Public Library for staff members to forgive all disputed fines which total less than \$5.00. If disputed fines are more than \$5.00, the unit has the authority to forgive those fines at the discretion of the person in charge." The current library system (DRA) does not have the capability to assign different access levels to varying users. In this case, any library employee could waive a fee in any amount without any type of approval. In addition, no documentation is maintained as to why a fee was waived nor are notes within a customer's account history.

**Recommendation to Internal Control Weakness #1-3**

We recommend that the library administration coordinate with the City's Information Technologies Division (ITD) to develop a method that will allow for varying levels of access assigned to specific user identifications. In addition, we recommend that documentation and/or notes on a customer's account be maintained for any fines that are waived over \$5.00.

**Auditee's Response to Internal Control #1-3**

Notes of explanation will be made on accounts where fines are waived amounting to five-dollars (\$5.00) or more. In addition, we will investigate the possibility of assigning individual User Codes with varying levels of authorization.

**Internal Control Weakness #1-4**

Based on observations at eight library branches, it appears that employees in the field would benefit from additional training in the area of cash handling and reconciliation procedures. We noted instances in which employees do not appear to be very confident in the procedures they are performing and at times are confused by the process. This is further evident in the number of voids, overages and shortages noted at the branches. These are detailed in the charts and graphs below.

**Summary of Shortages and Overages for October 2002 through February 2003**

*(Note: 143 days were tested in total)*

Branch	Shortages		Overages		Number of Balances
	Number of Instances	Average Shortage	Number of Instances	Average Overage	
Southeast	50	(\$3.06)	82	\$2.34	11
Beaches	42	(\$3.19)	47	\$2.18	54
Mandarin	38	(\$6.56)	81	\$4.02	24
Regency	38	(\$8.26)	78	\$5.26	27
Webb Wesconnett	26	(\$2.12)	55	\$6.55	60
Bradham Brooks	17	(\$7.90)	13	\$1.82	113
Main	14	(\$0.88)	17	\$2.55	112
Highlands	11	(\$2.43)	8	\$0.97	124

**Comparison of Voids from October 2002 through February 2003**

Branch	Total Number of Voids	Average Amount of Void (1)
Beaches	63	\$18.83
Webb Wesconnett	48	\$4.89
Regency	40	\$16.96
Mandarin	37	\$20.91
Southeast	9	\$54.49
Highlands	8	\$26.82
Bradham Brooks	4	\$8.65
Main	2	\$10.00

(1) When determining the average, we excluded any void greater than \$100.

**Recommendation to Internal Control Weakness #1-4**

We recommend that the library offer additional training in the areas of cash handling as well as reconciliation procedures for all clerical staff and librarians operating at each of the branches. In addition, we recommend that the Accounting and Finance Department of the library review the current forms and processes used for reconciliations in an effort to clear up any confusion there might be with the current processes.

**Auditee's Response to Internal Control Weakness #1-4**

The Library recognizes and understands that cash handling training is certainly necessary. Currently, Branch Managers have been made aware that individual training for any employee who is not confident or proficient with the cash handling process and procedures is available through the Library's Accounting Office located at the Main Library. Additionally, when the revised cash handling policies and procedures have been completed and approved by both the Council Auditor's Office and the Library Administration, organized training sessions will be conducted for all managers and staff involved in the cash handling process.

### **Internal Control Weakness #1-5**

Based on observations at library branches, we noted that access to the cash register is not restricted to only the personnel assigned to the circulation desk nor is the area always attended. At one branch, we noted eight different individuals perform a transaction during the day, all of which were not scheduled to work the circulation desk. In addition, we noted eight instances in which the cash register was left unattended and was not locked. Not having control over who has access to the register and leaving the register unattended severely decreases the accountability for funds collected and increases the risk for funds to be misappropriated.

### **Recommendation to Internal Control Weakness #1-5**

We recommend that controls be put in place to minimize the number of individuals performing transactions at the cash register. This could be done by only allowing those individuals scheduled to work the circulation desk access to the register by giving them a register key that would lock the cash drawer itself. This would prevent someone not assigned to the area from entering the register. If cash or change for a copy machine is needed for a patron, then the person working the circulation desk should perform this transaction. In addition, staff should be reminded not to leave the area unattended.

### **Auditee's Response to Internal Control Weakness #1-5**

The Library will investigate the possibility of limiting cash register access to Circulation Desk staff and locking the registers when no one is available to physically stay at the Circulation Desk.

### **Internal Control Weakness #1-6**

Based on observations at eight library branches, we noted that a high number of people have access to the safe throughout the day. At most branches, all librarians and several of the clerical staff have access to the safe and in one instance, every full-time employee has access to the safe. It was also brought to our attention that some part-time individuals that work on Sunday and float from branch to branch have access to the safe as well. Access to the safe should be kept at a minimum to safeguard the contents. It defeats the purpose of having a safe if too many individuals have access to it.

### **Recommendation to Internal Control Weakness #1-6**

We recommend that library management establish a policy as to what positions can have access to the safe. In addition, we recommend that combinations to the safes at all branches be changed immediately and then on a periodic basis given that staff is often moved between branches.

### **Auditee's Response to Internal Control Weakness #1-6**

The Library will limit access to safes. All combinations will be changed immediately and then, at least annually.

### **Internal Control Weakness #1-7**

Of the cash maintained at each of the library branches as a change fund, the need is for singles and coins. At times, the branches have a hard time maintaining enough change for operations. In order to meet their needs, the branches buy change from the copy machines and/or staff funds or make trips to a bank in the area. This increases the chance that funds could be lost and errors could occur in the change making process.

**Recommendation to Internal Control Weakness #1-7**

We recommend that library management evaluate the amount and denomination of change kept at each location to determine if it is adequate to sustain operations. If it is determined that additional funds should not be kept at a location, a procedure needs to be established so that branches can have change delivered on an as needed basis without library employees having to go to the bank.

**Auditee's Response to Internal Control Weakness #1-7**

Staff will be prohibited from leaving the premises with City funds for the purpose of obtaining change. The Library will evaluate each branch petty cash fund to make sure it is adequate for branch change operations. Ideally, at the time the deposits are prepared, the beginning bank should be separated out in the lowest denominations available. This practice should eliminate the need to travel to a bank for change during the day.

**Internal Control Weakness #1-8**

Each library location has at least one copy machine available for public use at a fee of \$.10 per page. The library has a contract with IKON for service and maintenance on the machines. An IKON representative visits each branch once a week for service on the machines and to retrieve the collections from the machines that are then deposited by the library. We observed this process at three branches and noted that a library representative is not escorting the IKON representative while the funds are being collected.

**Recommendation to Internal Control Weakness #1-8**

We recommend that a library representative escort the IKON representative during the collection of copy revenue. This serves as protection to both the library and the IKON representative as cash is handled in front of the general public.

**Auditee's Response to Internal Control Weakness #1-8**

Branch staff have been instructed to accompany the IKON service representative when the coin operated copy machines are emptied, for security reasons and as good business practice.

**Internal Control Weakness #1-9**

Each of the copy machines at the library has a cash box key that allows the user to retrieve cash deposited by customers for copies. Each machine comes with a key and it is the same key, therefore if a branch has seven copy machines, there are seven of the same keys floating around, any of which could open all copy machines at any library. Based on our observations of the copy revenue collection process, we noted that these keys are not kept under the greatest of control and are floating around with various members of the library's staff. This increases the possibility that funds could be removed from a copy machine without holding someone accountable for the funds. Since the IKON representative has a key and any refunds to customers are paid at the circulation desk, there is no need for so many copies of this key to be floating around at a branch.

**Recommendation to Internal Control Weakness #1-9**

We recommend that access to the copy machine cash box keys be limited to only one or two designated personnel at each branch in order to gain better control over access to the cash boxes themselves.

**Auditee's Response to Internal Control Weakness #1-9**

The Library concurs that keys to the coin operated copy machines should be more strictly limited. This limiting will be left to the individual manager's discretion. However, in no case, should there be more than two (2) keys in use at one time.

**Finding #1-1**

The City's Treasury Division shows the Library having \$2,455 on the "Analysis of Imprest and Cash Funds" listing for petty cash and change funds. We determined the actual amount the library has is \$2,706. During the surprise cash counts, actual base and change amounts were noted at each branch. These amounts were then totaled and compared to the amount on the Treasury listing noting the \$251 difference.

**Recommendation to Finding #1-1**

The Library needs to inform the Treasury division of how much the change funds are at each branch. If collections were held back, these collections need to be deposited. If it is determined that additional change funds are needed over and above the \$2,455 authorized by the City's Treasury Division, the library needs to request additional funds from the Treasury Division.

**Auditee's Response to Finding #1-1**

The Library will initiate a request through the City Treasurer's Office to increase its petty cash fund. Heretofore, apparently, a misunderstanding existed among staff as to exactly what cash in the branch was considered the "City Petty Cash Fund". Clearly, all City cash funds at the location which are not deposits of fees, fines, or sales proceeds are considered to be included in the location's "Petty Cash Fund".

**Finding #1-2**

When we performed surprise cash counts not all locations had the safe locked upon our arrival. At six of the 15 (40%) branches visited (including Main), we observed that the safe was not locked upon our arrival.

**Recommendation to Finding #1-2**

We recommend that all library personnel be reminded to lock the safe when contents are not being placed in or taken out of the safe.

**Auditee's Response to Finding #1-2**

All safes will remained locked when not in use.

**AUDIT OBJECTIVE #2**

In order to determine if efforts to collect overdue fines were adequate, we obtained the contract that JPL has with its collection management company and compared the fees and charges with other libraries using the same company. We determined that the fees charged were comparable to those charged at other libraries. We then performed an analysis of how much has been collected to date and how much has been paid for this service. Through April 2003, JPL has submitted \$2,814,074 worth of outstanding fines and materials to the collection management company. Of this, \$347,582 has been collected, and \$650,505 worth of materials has been recovered for a total of \$998,087. JPL has paid the company a total of \$302,635, which is 30.32% of amounts and material recovered. It should be noted that fines and materials collected are paid and returned directly to the JPL and not to

the collection management company. We have no findings or weaknesses related to this audit objective.

**Noteworthy Accomplishment**

The Jacksonville Public Library (JPL) has a comprehensive intranet site (<http://jplstaff.coj.net>) that not only provides access to the JPL's policies and procedures, but also has news about the library, memos, general information and forms. Considering how spread out the JPL system is, this is a great way to communicate with employees and ensure that they have the adequate tools and information to effectively perform their job on a daily basis. Any City employee that is logged into the City network can also access this site.

We would like to thank the staff of the JPL not only at the Main Library, but also at each of the branches we visited for their cooperation during the course of the audit.

Respectfully Submitted,

Richard Wallace, CPA  
Council Auditor

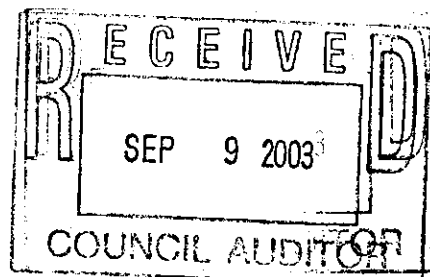
Audit Performed by:

Allison Luker, CPA

Sonia Summerford

September 9, 2003

**MEMORANDUM**



**TO:** Richard Wallace, C. P. A.  
Council Auditor

**FROM:** Kenneth G. Sivulich, Library Director  
Jacksonville Public Library

**SUBJ:** Response to "Draft" Jacksonville Public Library – Cash/Revenue  
Audit Report #581, August 27, 2003

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Following are the Jacksonville Public Library's responses to the "Internal Weaknesses" and "Findings" listed in the above referenced report:

**Internal Control Weakness #1-1**

The Library is aware that a discrepancy exists between cash receipts shown by the cash registers and the automated DRA/SIRSI system. This is because the two systems are independent and are not interfaced. The DRA/SIRSI is primarily an operating system for tracking the use and history of library materials throughout the system. The automated system is not currently relied on for financial reconciliation of the Library's cash receipts.

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**Internal Control Weakness #1-9**

The Library concurs that keys to the coin operated copy machines should be more strictly limited. This limiting will be left to the individual manager's discretion. However, in no case, should there be more than two (2) keys in use at one time.

**Finding #1-1**

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**Finding #1-2**

All safes will remained locked when not in use.

Should you require additional information, or have any questions regarding this response, please contact Mike McDowell, Executive Assistant/ Finance and Human Resources by calling 630-2762