

ROCHESTER PUBLIC LIBRARY
MAPLEWOOD BRANCH
CASH HANDLING REVIEW

Office of Public Integrity
Date: August 14, 2015

I. EXECUTIVE SUMMARY

In this review the Office of Public Integrity (OPI) examined accountability of reported cash collections, the adequacy of internal control procedures, and compliance with City and Library cash handling policies at the Maplewood 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.

- ◆ OPI noted that library personnel do not always utilize serially numbered receipts to record cash received for lost item and processing fees. Additionally, they do not always use the cash register key designated for lost item and processing fees when they enter these transactions into the cash register. Library policy requires that library personnel follow these procedures.
- ◆ 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 58 of the 303 days in the test period beyond the period required by City and Library policy.
- ◆ OPI noted several instances in which library staff did not properly document fee waivers. Library policy requires that staff properly document all fee waivers.
- ◆ Library policy requires that library personnel take cash register "x-reads" on all days branch libraries are in operation for more than six hours. We noted that library personnel did not take these x-reads for 101 of the 200 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 Maplewood Branch Library.

B. Background

The Maplewood Branch Library lends and receives library materials, collects fines, and provides patrons access to the internet and personal computing needs. The library offers programs such as story hours, lectures and English language learning. In conjunction with these responsibilities, the unit handles cash transactions resulting from fines, reserves, book sales, lost books and audiovisual materials, printing fees, facsimiles and the sale of computer flash drives. For the fiscal year ended June 30, 2015, the Maplewood Library reported revenue of \$ 17,164.68.

Maplewood Branch personnel enter cash collection transactions in both the cash register and the Library Corporation's CARL.X product (CARL), 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.

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 Maplewood Branch Library during the period April 1, 2014 through March 31, 2015. During this period, the branch reported revenue of \$17,055.55. The review included an analysis of cash handling procedures and an examination of supporting documentation.

Management is responsible for establishing and maintaining a system of internal accounting and administrative control. Fulfilling this responsibility requires estimates and judgments by management 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.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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.

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 branch personnel 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. Receipts Not Always Completed for Lost Item and Processing Fees

City Cash Collection Policies require that all cash collection areas record cash when received. Acceptable methods for recording cash include cash registers, serially numbered customer receipts and serially numbered tickets. Additionally, Library policy requires that library personnel utilize serially numbered customer receipts to record cash that they receive for lost item and processing fees. Also, Library procedures require personnel to enter these transactions into the cash register using a designated key to distinguish fees collected from lost items and processing fees.

For our test period, a report generated from the CARL system indicated 51 line items from 28 patrons totaling \$482.95 for lost item and processing fees. However we noted:

1. Library personnel only utilized serially numbered receipts for 2 of the 28 transactions noted. The total of these 2 receipts was \$49.95.
2. One serially numbered receipt was missing from the receipt book.
3. A review of cash register tapes revealed that library personnel rang up 10 transactions totaling \$126.68 on the designated cash register key for lost item and processing fees. We were able to trace 7 of the

receipts to the CARL system. Two of the transactions were keying errors and we could not trace 1 of the 10 transactions to the CARL report.

Accountability over cash is significantly reduced when cash is not properly recorded and identified when it is received. Additionally, it is not possible to reconcile the cash register to the CARL system when library personnel do not follow these policies and procedures.

◆ Recommendation

Library personnel should comply with Library policy and utilize receipts as the method to record cash collections for lost items and processing fees. Additionally, management should remind branch personnel to use the cash register designated key for these collections to enable reconciliation between the cash register, the CARL system and the manually written receipts.

B. Untimely Deposits

City Cash Collection Policies and the Library Cash Handling policy require that City personnel deposit all cash within five days of receipt or immediately upon the accumulation of \$300, whichever occurs first. The Office of Public Integrity noted that library personnel do not always deposit daily revenue in accordance with these policies.

For the period April 1, 2014 through March 31, 2015, the Maplewood Branch Library collected a total of \$17,055.55 in revenue. OPI noted that library personnel delinquent deposited cash collected on 58 of the 303 days in this period. These 58 days account for \$3,403.10 or 19% of the total revenue collected in the test period. The following table summarizes these late deposits.

Rochester Public Library
Maplewood Branch
Analysis of Delinquent Cash and Check Deposits
For the Period April 1, 2014 to March 31, 2015

Frequency of Occurrence

<u>Days Deposited Late</u>	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Timely Deposits	245	80.86%	\$13,652.45	80.05%
Deposited 1 day late	29	9.57%	1,777.78	10.42%
Deposited 2 days late	22	7.26%	1,256.62	7.37%
Deposited 3 days late	<u>7</u>	<u>2.31%</u>	<u>368.70</u>	<u>2.16%</u>
Totals	<u>303</u>	<u>100.00%</u>	<u>\$17,055.55</u>	<u>100.00%</u>

Timely deposits of cash are important because a delay in deposit results in a greater risk of loss, 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

Library personnel should deposit cash collections in accordance with City and Library policies.

C. Undocumented Fee Waivers and Cancellations

The Library’s Finance Office requires that library personnel record all waved and cancelled fees and fines on a “Fines and Fees Waiver Form”. This form includes the date, amount waived, the reason for the waiver and the signature of the person who approved the waiver.

The absence of documentation that supports proper fee waivers and cancellations and the lack of explanations of the underlying circumstances raise the possibility of unauthorized fee waivers and cancellations. Without this information and the written approval of branch management, it is possible for any employee to waive and cancel fees without authorization. A lack of supervisory review and documentation of appropriate approvals of fee waivers and cancellations can potentially lead to abuse and theft of cash collections.

OPI examined all library fees and fines recorded on the CARL system during the period January 1, 2015 through March 31, 2015. During this period we noted 294 instances totaling \$777.72 in which library personnel waived and cancelled fees and fines. We noted that library personnel did not document waived fees on a "Fines and Fees Waiver Form" for \$110.80 or 14% of the \$777.72 of waived fees.

◆ Recommendation

Library personnel should properly document all waived and cancelled fees in accordance with Library policy.

D. Required "X" Reads Not Always Completed

Rochester Public Library Cash Handling Policy requires that, for all days the Library is in operation for more than six hours, library personnel take cash register "X" reads, count and verify the cash in the register, and record the information on "X Readings" forms. The policy requires that this be done at a shift change or at the mid-point of daily operations if there is no official shift change.

During our test period, there were 200 days that library personnel should have taken "X" reads. OPI noted that library personnel did not take "X" reads on 101 of these days. This is an exception rate of 50.5%.

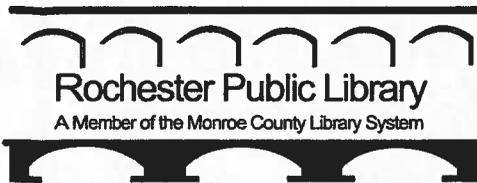
Non-adherence to cash handling policies diminishes internal controls over library operations.

◆ Recommendation

Library personnel should take "X" reads and count and verify the cash in the register in accordance with the Library's Cash Handling Policy.

IV. DEPARTMENT RESPONSE

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



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To: Timothy Weir, Director/Office of Public Integrity

From: Patricia Uttaro, Director/Rochester Public Library

Date: July 30, 2015

Subject: Rochester Public Library (RPL) – Maplewood Branch Cash Handling Audit

The City's Office of Public Integrity (OPI) conducted an audit of the Maplewood Branch Library beginning in April 2015. We appreciate the time taken by OPI staff, both in the audit process and during our review of the audit on July 23, 2015. It should be noted that OPI found adequate internal controls, general compliance with cash handling policy and reconciliation of all revenues recorded. This memo outlines recommended RPL Management responses to each of the administrative control recommendations from OPI.

1. Completion of receipts for Lost Items and Processing Fees: RPL Cash Handling Policy notes the requirement of serially numbered receipts in addition to the cash register receipt upon payment of lost or damaged items. This duplicate receipt process is due to the current integrated library system (CARL.X) not retaining point-of-sale capability. The receipt, CARL.X record and register key process is time consuming, and increases the potential for error or omission. As of 2014 branch site supervisors conduct audit reports utilizing CARL.X to verify periodic transactions occurring over set time periods.

RPL Recommendation: The total number of transactions for lost/damaged items is infrequent, which necessitates refresher training for branch staff that does not conduct this process on a regular basis. The RPL's circulation manager is currently assisting with said training and a procedure checklist for branch staff. In addition, the Monroe County Library System (MCLS) contract with The Library Corporation for its CARL.X product expires in December 2016. The request for proposal process underway will include vendor capacity to provide point-of-sale integration for all library transactions.

2. Untimely Deposits: During the RPL and OPI audit review, two mitigating factors were noted in the findings regarding \$300 deposit limitations. One was the retirement of a long-term clerk that traditionally prepared deposits, shifting this work to the site supervisor, and the other the impact of the 2013 shift from Chase to M&T exclusive banking, which increased Maplewood's average deposit timeframe by approximately 25 minutes per deposit. Neither of these is rationale for the 19% frequency of untimely deposits, but the volume of cash collected is ongoing challenge to staff, given the branch's limited staffing structure (one full-time position, two designated part-time staff trained to prepare deposits).

RPL Recommendation: The RPL will continue to advocate for City IT and Finance's automated clearing house (ACH) project initiation, to reduce dependence on cash-only operations at the branches. Credit card capability will enable the RPL to expand its installation of fine and fee collection devices, for both materials check out as well as patron print/copy/fax services. It is the RPL's goal to reduce direct cash collection to a daily value that would allow for a regular schedule of deposits 1-2 times per week. Until this is possible,

the Finance Office will provide notification to Area Coordinators and the RPL Assistant Director for Branches when the prior month's branch delinquent deposits exceed 10% of transactions, or if a single deposit is more than three (3) days delinquent. As of this memo, two additional Maplewood staff (three total) are trained in daily close/open and deposit process, reducing the reliance on the site supervisor to exclusively complete this task.

3. Undocumented Fee Waivers and Cancellations: OPI noted instances in which the RPL's required fine and fee waiver log did not include fees waived in CARL.X. While the dollar amount (\$111 of \$778) was small, it highlighted two practices under review: 1) Maplewood non-supervisory staff could waive fines, and 2) RPL Management, when reviewing larger dollar value fine/fee waiver requests submitted by a site supervisor, were administratively waiving fines/fees in CARL.X, which would not show in a branch log report.

RPL Recommendation: Maplewood has adjusted its operations to adhere to RPL and MCLS best practice recommendations, with only the site supervisor and librarian in charge positions able to waive patron fines. In addition, the RPL will amend its RPL Cash Handling Policy to address administrative fine waivers, noting that any waivers requiring review by RPL Management will be approved in writing by Management, but will require waiver entry in CARL.X and waiver log documentation at the branch location.

4. Completion of cash register "X" reads: Completion of a cash register "x" read for library shift changes or at the midpoint of daily operations (of more than six hours) is included in the RPL's Cash Handling Policy. It is a best practice recommendation, but not policy, of the City of Rochester.

RPL Recommendation: RPL employee fine and fee waiver policies were amended in September 2012, wherein all RPL Branch and Central employee waivers must be approved by documented supervisors. Branch Managers shall review fine/fee waiver documentation requirements. RPL Finance Office shall select branches for specific periods and verify waiver log against CARL.

It should be noted that the employee received written notification of the policy and to refrain from non-employee fine activity, which is included with the employee's personnel file. Any subsequent waiver activity shall result in disciplinary action for the employee.

Conclusion

In 2013, the RPL updated its Cash Handling Policy, with supervisor-level training completed in 2013, as well as a refresher for Branch managers in fall 2014. The next level of training for consistency in line-staff and librarian in charge (when not site supervisor) will be administered on an annual basis by the RPL's Area Coordinators, with assistance from the RPL Finance Office. This will address any potential gaps during new hire orientation as well as providing refreshers for long-time branch staff. The Maplewood staff has also proactively taken a comprehensive approach to the re-training of their staff on cash handling practices and responsibilities under the supervision of the RPL's circulation manager and Area Coordinator.