

ROCHESTER PUBLIC LIBRARY  
CENTRAL LIBRARY  
CASH HANDLING REVIEW

Distribution:

Lovely Warren, Mayor  
James Smith, Deputy Mayor  
Patty Uttaro, Library Director  
Tim Curtin, Corporation Counsel

Office of Public Integrity  
Date: December 31, 2019

## I. EXECUTIVE SUMMARY

In this review, the Office of Public Integrity (OPI) examined the accountability of reported cash collections, the adequacy of internal control procedures and compliance with City and Library cash handling policies at the Central 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 location'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 items and processing fees. Additionally, they do not always use the cash register key designated for lost items and processing fees when they enter these transactions into the cash register.
- ◆ OPI noted several instances in which library staff did not properly document fee waivers

## 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 Central Library.

### B. Background

The Central 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 book fees, audiovisual equipment fees, printing fees, facsimiles, program fees and meeting room fees. For the fiscal year ended June 30, 2019, the Central Library reported revenue of \$ 234,127.42.

Central Library 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 Central Library during the period July 1, 2018 through June 30, 2019. During this period, the Central Library reported revenue of \$234,127.42. 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 Central Library's operations and compliance with City and Library cash handling policies. We were able to determine that Central Library personnel deposited all revenue on time and in accordance with the City's Cash Collection Policies. 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 Items 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 items 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 216 line items from 158 patrons totaling \$4,032.64 for lost items and processing fees were collected at the Central Library. However we noted:

1. Library personnel utilized serially numbered receipts for 203 of the 216 transactions totaling \$3,854.53. We were unable to locate 13 serially numbered receipts totaling \$178.11.

Accountability over cash is significantly reduced when cash is not properly recorded and identified when it is received.

#### ◆ Recommendation

Library personnel should comply with Library policy and utilize receipts as the method to record collections for lost items and processing fees. Additionally, management should remind 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. Undocumented Fee Waivers and Cancellations

The Library's Finance Office requires that library personnel record all waived and cancelled library fees and fines on the 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 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 waived fees and fines recorded in the CARL computer system during the period July 1, 2018 through June 30, 2019. During this period, CARL noted 8,224 instances totaling \$36,781.18 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 644 instances totaling \$2,319.93 which is 6% of the total \$36,781.18 that was waived. Additionally, 34 fee waives totaling \$250.94 in fines that appeared on a Fines and Fees Waiver form were not found in the CARL computer system. Furthermore, we noted 30 customer accounts where the amount waived in CARL did not agree with the amount waived on the Fines and Fees Waiver form.

◆ Recommendation

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

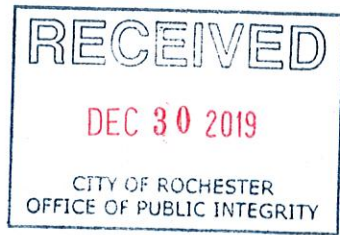
IV. DEPARTMENT RESPONSE

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



Rochester  
Public Library

More Than You Think



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TO: Timothy Weir, Office of Public Integrity  
FROM: Patricia Uttaro, Library  
DATE: December 27, 2019  
Re: **Central Library Cash Handling Review Response**

Library management met to review the draft report of the Central Library Cash Handling Audit, conducted from August through November 2019 reflecting fiscal year 2018-19. Responses to the results of the review and recommendations are below.

*OPI Recommendation: Library personnel should comply with Library policy and utilize receipts as the method to record collections for lost items and processing fees. Additionally, management should remind 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.*

Library Response: The audit noted that 13 (or 6%) of transactions did not include serially numbered receipts totaling \$178.11, representing 4% of transaction value for FY19. Lost items and processing fees are collected through the Central Library circulation desk (2 locations), which generate dual receipts from the cash register and manually generated via serially numbered receipt book. On average the Central Library has turnover of three to five part-time circulation staff per fiscal year; while the training program is robust, and a supervisor is present during all hours of operation, a 6% rate of secondary serial receipt oversight or loss is reasonable. The Library has reviewed its training procedures and checklists for lost or damaged items and has made checklist adjustments to reinforce serial receipt documentation and placement in the register.

*OPI Recommendation: Library personnel should properly document all waived and cancelled fees in accordance with Library policy.*

Library Response: The audit noted that 644 waivers (8% of waiver instances, 6% of waived fee value) were not documented on the Fines and Fees Waiver form. For control purposes, the Circulation Supervisor and Assistant have CARL (library system) waiver authority for Central Library. Clerk III staff can waive fines and fees but cannot negotiate fee reductions with clients or modify fees. However, the Library Automation Department cancels aged, uncollected fine and fee balances when purging accounts older than seven years as part of CARL system maintenance. This cancellation documentation process occurs at the start of the calendar year, but any discrepancy with the report results in a manual cancellation that Automation Department staff have processed as a waiver. These have not been reported to the Circulation Supervisor previously. Going forward, either Library Automation will manually cancel these additional account fees in CARL, or will report the waiver activity to the Circulation Supervisor.

These manual waivers via Library Automation do not represent the entirety of the 644 waivers; in several instances documentation on the waiver form was inadvertently omitted during the waiver process, as the log is maintained in excel on the secure network connected to the Supervisor and Assistant Supervisor's office. These omissions, which represent approximately 2-3% of waiver instances, are considered reasonable by the Library. However, the Circulation Supervisor and Assistant have reviewed and reinforced procedures that ensure waiver requests are processed directly in the log.

Future Planning – OPI Engagements

Several years have passed since the last cash handling audit conducted by OPI. Some processes this cycle were a departure from prior audits, particularly the kickoff meeting. This meeting is helpful to both parties to establish from the onset the scope of work involved, and to provide the Library opportunity to review relevant policies and procedures with the auditor. In several instances the auditor's work required clarification and re-submission from Library staff that would not have been necessary if the work scope was mutually understood. In the future, we would appreciate a formal kickoff meeting with the auditor.

xc:     Lovely Warren, Mayor  
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          Brie Harrison, Library  
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