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# Library Cash Handling Audit

May 10, 2019



**City of Fort Worth  
Department of Internal Audit**

200 Texas Street  
Fort Worth, Texas 76102

**Audit Staff**

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**The Library Cash Handling Audit was conducted as part of the Department of Internal Audit's amended Fiscal Year 2018 Annual Audit Plan.**

### **Audit Objective**

The objective of this audit was to evaluate internal controls over cash collections at City of Fort Worth libraries.

### **Audit Scope**

Our audit included a limited review of library cash handling for fiscal year 2018.

### **Opportunities for Improvement**

Recording of printer and copier revenue based on amounts captured within system-generated reports

Timely preparation of deposits for courier pickup

Change of safe combinations upon staffing changes

Up-to-date safe combination access signature sheets

Updated Library Cash Management, Reconciliation, and Reporting Procedure Manual

Removal of broken, unused machines

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## **Executive Summary**

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As part of the amended Fiscal Year 2018 Annual Audit Plan, the Department of Internal Audit conducted a limited scope audit of Library Cash Handling. Based on our audit testing, opportunities for improving internal controls exist.

Internal Audit concluded that Central Library printer and copier revenue was recorded based on the amount of funds emptied from coin machines, versus amounts captured within system-generated reports. As a result, cash overages and shortages were not recorded within the general ledger.

The City incurred unnecessary charges for courier services. For example, when comparing armored courier receipt logs to library branch pickup schedules for the first week of September 2018, three library branches did not have a deposit ready upon the armored courier's arrival. As a result, the City was charged \$69.30 for courier services that were not used.

We also identified control weaknesses over safe access. Two terminated employees were listed on the Library's safe access authorization sheets. We also observed safe access authorization sheets with signatures that were two years old, and were informed (by Library staff) that safe combinations were not changed when employees terminated employment with the City of Fort Worth.

During audit interviews, Library staff stated that when the Central Library coin-operated printers are not working properly, Print Out Charge Slips are used on an "honor system" basis. We found instances where deposits exceeded amounts on supporting Print Out Charge Slips.

The Library Cash Management, Reconciliation, and Reporting Procedure Manual is outdated. In addition, we observed a coin-operated microfilm machine reported as non-operating, but remained on the library floor.

Our audit findings are discussed in further detail within the [Detailed Audit Findings](#) section of this report.

In addition to the [Detailed Audit Findings](#), Internal Audit communicated an additional finding to management that is excluded from this report because of possible safety concerns. Management concurred with the audit finding, and audit follow-up will be conducted at a later date to ensure full implementation of the related audit recommendation.

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## Background

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The Fort Worth Public Library offers various programs to achieve the goal of continual learning. For example, there are book clubs for adults, community history workshops, computer literacy classes, genealogy lectures, and art shows. There are also Early Childhood Resource Centers to help families learn how to develop their children's social, emotional and pre-literacy skills, prior to the children entering kindergarten.

The Fort Worth Public Library has two primary divisions with the goal of assisting people to fulfill their enjoyment of reading and recreational materials, and encourage the pursuit of learning with easy access to information.

- The Public Service Division is comprised of the Central Library and 13 branch libraries. In addition, the Division operates three satellite facilities that do not collect funds. This Division provides residents and non-residents with services for checking out books, movies and music. This Division also provides educational classes, collects and preserves materials related to the City's history, provides computer services, and offers Wi-Fi access to the public.
- The System-Wide Services Division consists of five operational units: Administrative Services, Collections Management, Communications, Facilities Management, and Information Technology.

As shown in the following chart, total Fort Worth Public Library revenue has decreased from FY2016. Library staff indicated that automatic renewals contributed to some of the decrease.

<b>Library Revenue Has Decreased From FY2016 to FY2018</b>			
<b>Revenue Account *</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
Overdue Book Fines	\$410,093.00	\$272,142.00	\$245,031.00
Library Auto System Revenue	131,891.00	86,431.00	119,990.00
Library Printer/Copier Sales	94,489.00	104,636.00	96,291.00
Contributions From Others	75,627.00	120,574.00	76,317.00
Library Passport Revenue	10,762.00	79,319.00	76,280.00
Meeting Room Rental	23,383.00	28,406.00	29,402.00
Lost Book Fines	14,122.00	13,189.00	11,144.00
Miscellaneous Revenue	6,129.00	6,764.00	6,450.00
Debt Collection Fee	5,194.00	4,867.00	4,137.00
Merchandise Sales	2,290.00	2,118.00	3,072.00
Other Revenue	1,962.00	2,072.00	2,208.00
<b>Total</b>	<b>\$775,942.00</b>	<b>\$720,518.00</b>	<b>\$670,322.00</b>

\* Excludes interest revenue  
Source: PeopleSoft FINS



## Objective

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The objective of this audit was to evaluate internal controls over cash collections at City of Fort Worth libraries.

## Scope

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The audit covered the period of October 1, 2017 through September 30, 2018, and was limited to evaluating internal controls over cash collections at City of Fort Worth libraries.

Surprise cash counts of library revenue collected were not included in the audit scope. Since the Financial Management Services (FMS) Department is responsible for performing cash counts, we only confirmed that journal entries were posted in the general ledger, based on FMS' cash count results.

## Methodology

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To achieve the audit objective, the Department of Internal Audit performed the following:

- interviewed Fort Worth Library personnel;
- reviewed City of Fort Worth financial directives;
- reviewed the Library Cash Management, Reconciliation, and Reporting Procedure Manual;
- reviewed documentation related to staff access to safe combinations;
- compared armored car logs and driver manifests to library branch bag pickup schedules;
- analyzed and compared cash register tapes to electronic receipts distribution documents (eRDDs);
- conducted a walkthrough of the Central Library to observe printer, copier and change machine locations;
- observed the process of collecting cash from printers and copiers;
- confirmed deposits were recorded in the general ledger, in a timely manner; and,
- evaluated internal controls related to Library cash collections.

We conducted this audit in accordance with generally accepted government auditing standards. 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 objective.



## Detailed Audit Findings

### 1. The Central Library printer and copier revenue recording process may not result in the accurate recording of revenue.

Revenue from printer/copier services at the Central Library is recorded based on funds emptied from the machines, and not based on revenue from system-generated reports. As a result, cash overages and shortages were not recorded in the general ledger.

In some instances, printer/copier machine change hoppers were not refilled to the specified change fund amount. Library staff indicated that they did not have the necessary quantities of coin denominations to refill machine hoppers for all of the machines. Not replenishing machines with the specified change amount increases the likelihood that revenue will be recorded incorrectly due to the inconsistent amounts of change retained within the machines.

Section V. I. of the City's Revenue Receipting Policy stipulates that differences between the amounts deposited and computer system-generated receipts must be recorded, along with appropriate supporting documentation. The policy further states that any cash overages/shortages must be recorded to the appropriate general ledger account. The practice of not recording cash overages and shortages violates City policy.

**Recommendation 1A:** *The Library Director should require that printer/copier revenue be recorded based on system-generated reports, with any differences between the system-reported amounts and cash removed from machines (net of the change fund amounts) being recorded as cash overages or shortages.*

**Auditee Response:** Concur. Staff responsible for handling copier/printer revenue will be trained on the proper procedures by the end of the calendar year.

**Target Date:** December 31, 2019

**Responsibility:** Virginia Brylinski, Customer Service Manager

**Recommendation 1B:** *The Library Director should require printer/copier machine hoppers be replenished with the specified change amounts.*

**Auditee Response:** Concur. Staff responsible for replenishing change in coin-operated machines will be trained on the proper procedures by the end of the calendar year.

**Target Date:** December 31, 2019

**Responsibility:** Virginia Brylinski, Customer Service Manager



## 2. The City was charged for unnecessary armored car services.

The City incurs armored courier charges when the courier arrives for a scheduled pick-up, regardless of whether the deposit is ready for pick-up or not. Charges can be avoided if the courier is notified by 4:00 pm the day prior to the scheduled pick-up.

During testing of courier charges and scheduled pick-ups at all library locations during the first week of September 2018, we identified three branches where deposits were not ready for pick-up, based on the courier's log and the lack of a deposit. However, the City was charged \$23.10 each for the three missed locations, for a total of \$69.30 in unnecessary charges.

City funds should only be expended on goods and/or services actually received. It is unclear why deposits were not prepared or why the scheduled armored courier pick-up was not canceled. However, untimely deposit preparation increases risks related to the safeguarding of cash. We did note that the first week of September 2018 included a holiday during the work week.

**Recommendation 2:** *The Library Director should require staff to have deposits ready for pick-up on scheduled dates or cancel the armored courier pick-up before 4:00 p.m. on the day prior to the scheduled pick-up.*

**Auditee Response:** Concur. Staff responsible for preparing deposits will be trained on proper procedures by the end of the calendar year. Armored car schedules will be reviewed and adjusted to meet current business needs.

**Target Date:** December 31, 2019

**Responsibility:** Virginia Brylinski, Customer Service Manager  
Aaron Cummins, Administrative Services Manager

## 3. Controls over access to Library safes were inadequate.

The Library's Cash Management, Reconciliation, and Reporting Procedure Manual requires that all staff with safe combination access be listed on the Safe Combination Access Signature (SCAS) sheet that is maintained within the Administrative Services unit. The Manual also requires that the SCAS sheets be updated at least annually, at year-end, or any other time changes are made.

During interviews with Library staff and review of documentation, we concluded that:

- terminated employees were listed on SCAS sheets for two branch libraries;
- four branch libraries had SCAS sheets that were not updated annually, and were two to three years old;
- one SCAS sheet did not have the appropriate manager's signature;
- there were no records available to indicate when safe combinations were last changed; and,
- staff indicated that the Central Library safe combination had not been changed in years.

It is unclear why the SCAS sheets are not up-to-date. However, there is a risk that funds could be removed by unauthorized individuals when safe combinations are not changed periodically and/or when



employees terminate or transfer. Also, outdated or unsigned SCAS sheets could make identifying individuals with access to the safe difficult, if needed for investigations or other purposes.

**Recommendation 3A:** *The Library Director should enforce the policy to change safe combinations at all branches when the employee's job requirements no longer require safe access (e.g., terminates employment, or transfers to another location/department or to another division within the same department).*

**Auditee Response:** Concur. Safe combinations will be changed as required by policy. Department will consider changing safes to digital combinations to make changes easier.

**Target Date:** September 30, 2019

**Responsibility:** Aaron Cummins, Administrative Services Manager

**Recommendation 3B:** *The Library Director should enforce the policy to update the Safe Access Authorization Signature sheets at all branches on no less than on an annual basis and any time there is a change in assigned staff. The Library Director should also ensure that the sheets are signed by appropriate management.*

**Auditee Response:** Concur. Safe access authorization sheets will be updated when combinations are changed. Access sheets will also be turned in annually as part of the year-end cash verification.

**Target Date:** October 15, 2019

**Responsibility:** Aaron Cummins, Administrative Services Manager

#### **4. Print Out Charge Slips, that document printer/copier payments, were missing.**

When coin-operated printers/copiers are not working properly, Library staff provide patrons with a Print Out Charges Slip that lists printer/copier charges. Customers using Print Out Charges Slips are on an "honor system" to submit the slips to the cashier and then pay for the charges. Upon customer payment, transactional data from the Print Out Charges Slip is rung-up on the cash register. However, there were instances where revenue received exceeded amounts on Print Out Charges Slips. Print Out Charges Slips were, therefore, not available to support the cash register tape or the deposit. Since the slips are small (measuring approximately 3 ½" x 2"), were not filed by date, and were placed in a basket when received from library patrons, the slips could have easily been lost.

Library staff appear to have worked diligently to find all of the slips requested during audit testing. However, not all slips could be located. Internal Audit, therefore, could not validate that all revenue from printer/copier charges was received and accurately recorded. It should be noted that individual transaction amounts are typically small (e.g., less than \$1.00).

Section V.C. of the City's Internal Controls Policy states that procedures should be developed and maintained to ensure that financial transactions and events are properly recorded, and that all financial reports may be relied upon as accurate, complete and up-to-date. Section VI. A. 4. of the City's Revenue Receipting Policy states that the supervisor of the employee performing payment receipting functions shall verify the accuracy of revenue received during the day through a review of the receipts and transactions recorded in an automated or manual point of sale system.





**Recommendation 4A:** *The Library Director should require print out charge slips be attached as documentation supporting each deposit, to accurately support revenue recorded on cash balance sheets, deposit slips and electronic receipts distribution documents (eRDDs).*

**Auditee Response:** Concur. Staff have already started attaching print out charge slips to eRDDs. The procedure manual will be updated and staff will be trained on the new procedures by the end of the calendar year.

**Target Date:** December 31, 2019

**Responsibility:** Virginia Brylinski, Customer Service Manager

**Recommendation 4B:** *The Library Director should monitor the reliability of the current coin-operated printer equipment and software to determine if improved maintenance or replacement is warranted.*

**Auditee Response:** Concur. New coin-operated equipment is currently being evaluated at the Ridglea branch. Additional equipment may be installed at other branches, depending on the results of the current tests.

**Target Date:** September 30, 2019

**Responsibility:** Tim Shidal, Senior Business Process Analyst

**Recommendation 4C:** *The Library Director should consider whether an alternative to the Print Out Charges Slips is feasible for payment of copier/printer charges when the equipment or software malfunctions.*

**Auditee Response:** Concur. Cash reconciliation and recording procedures will be updated based on the results of the equipment evaluation in Recommendation 4B. This will include procedures for recording payments made at the register rather than at the coin-op machine.

**Target Date:** September 30, 2019

**Responsibility:** Virginia Brylinski, Customer Service Manager  
Aaron Cummins, Administrative Services Manager  
Tim Shidal, Senior Business Process Analyst

**Recommendation 4D:** *The Library Director should consider providing printer/copier machines that accept credit/debit cards.*

**Auditee Response:** Concur. The new coin-operated machine being tested has this capacity. Deployment to all branches will depend on the results of the test.

**Target Date:** September 30, 2019

**Responsibility:** Tim Shidal, Senior Business Process Analyst



**5. The Library's Cash Management, Reconciliation, and Reporting Procedure Manual was outdated.**

The City of Fort Worth's Library Cash Management, Reconciliation, and Reporting Procedure Manual references account numbers and reports from the legacy mainframe accounting software that are no longer in use. In addition, the Manual refers to a Financial Directive that does not exist, and does not reflect the eRDD process currently in practice.

It is unclear why the Manual is outdated. However, because the Manual is outdated, current cash handling procedures are not available for reference by library staff. Also, the lack of an updated manual fails to provide a standard for performance, and could make employee training difficult.

Written policies and procedures should be current. Government Finance Officers Association best practices state that the documentation of accounting policies and procedures should be evaluated annually and updated periodically, no less than once every three years, according to a predetermined schedule. Changes in policies and procedures that occur between these periodic reviews should be updated in the documentation promptly as they occur.

**Recommendation 5:** *The Library Director should update the Library's Cash Management, Reconciliation, and Reporting Procedure Manual to ensure that internal controls and cash handling practices are aligned with the City's financial directives, policies, and procedures.*

**Auditee Response:** Concur. The Cash Management Procedure Manual will be updated and the appropriate staff will be trained on the new procedures by the end of the calendar year.

**Target Date:** December 31, 2019

**Responsibility:** Virginia Brylinski, Customer Service Manager  
Aaron Cummins, Administrative Services Manager

**6. Inoperable machines remained in Library areas that are open to the public.**

During audit observations, we observed a coin-operated microfilm printer in the public area of the Central Library, reportedly no longer in use and not functional. Library staff did not know why the machine remained on the floor.



Source: Auditor-generated

It is a best practice that libraries make equipment available to library patrons. However, good business practice would dictate that equipment made available be in working order and relevant to patrons' needs. Inoperable coin-operated machines, in a public area, may confuse the public and invite vandalism. In addition, revenue that might be gained from auction or salvage is forgone.

**Recommendation 6:** *The Library Director should require that broken and unused microfilm coin machines be removed from public areas and secured until the machines are salvaged or sold.*

**Auditee Response:** Concur. The broken coin ops have been removed from the machines. The department will follow established procedures to dispose of the machines. We will also conduct an audit of all library locations to ensure that there are no more broken machines.

**Target Date:** June 30, 2020

**Responsibility:** Tim Shidal, Senior Business Process Analyst  
Aaron Cummins, Administrative Services Manager



## Acknowledgements

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The Department of Internal Audit would like to thank the Fort Worth Public Library staff for their cooperation and assistance during this audit.