SUBJECT: Audit Report 2007-10 - Hamilton Public Library - Fines and Other Revenues (CM08014) (City Wide)

RECOMMENDATION:

That Report CM08014 respecting Audit Report 2007-10, Hamilton Public Library – Fines and Other Revenues, be received.

Ann Pekaruk
Director, Audit Services
City Manager's Office

EXECUTIVE SUMMARY:

The amended 2007 Internal Audit work plan included the audit of fines and other revenues of the Hamilton Public Library (HPL). The results of the audit are included in a formal audit report containing observations and recommendations. Management action plans have been provided by the HPL. The report is attached as Appendix “A”.

BACKGROUND:

Approximately 3% ($750,000) of the HPL’s operating budget is derived from library fines, rentals, recoveries, photocopier revenues and donations. These revenues are recorded on a cash basis with no receivable set up for amounts owing.
As the City funds a significant portion of the HPL’s operations (over 90% of a $25 million budget), the mandate of the City’s Audit Services allows for the audit/review of HPL’s operations.

The objectives of this audit were to: (1) evaluate the extent of the use of information technology in the HPL’s circulation and fine/cash collection processes; (2) determine if internal controls related to fine billing, waiving and collection of fines are appropriately designed and operating effectively to ensure accuracy and completeness of fines and other revenues; and (3) assess the level of management oversight in the system of internal control through performance measures and targets, monitoring activities and benchmarking exercises.

The fieldwork was completed in November 2007. The report was received by the HPL’s Audit Committee on February 12, 2008 and approved by the Board on February 20, 2008. The Library’s Audit Committee requested a report detailing the status of the action plans after the first quarter 2008.

The City’s Audit and Administration Committee receives and approves final audit and review reports as part of its responsibilities for the oversight of governance and control.

In order to meet the objectives of the audit, the following work was carried out: the review of various relevant reports, directives, policies and procedures; site visits to selected branches to observe processes; the documentation of controls over cash and collection activities as well as issuance of fines, fine waivers and write offs of delinquent balances; and the testing of specific transactions in the areas noted above.

The audit resulted in the identification of areas for improvement with regard to financial and administrative controls related to library fines, other revenues and cash collection processes. A formal audit report containing observations, recommendations and management action plans as well as several Addendum items were issued and attached as Appendix “A” to Report CM08014.

Among the twenty-five (25) recommendations noted in the report and the Addendum are:

- Measures to improve the security and integrity of the Horizon system (integrated Library software) through the use of individual usernames and passwords, by requiring periodic password changes and by restricting access privileges based on responsibilities.
- Cash handling controls such as the automation of cash receipting processes (where justified due to volume), the reconciliation of Horizon reports with actual related revenues, the endorsement of cheques upon receipt and training of staff on various procedures concerning fine transactions.
ANALYSIS/RATIONALE: (Continued)

- In regard to the collection agency contract, verification of collection agency invoices against data submitted by the HPL, encryption of patrons’ data sent to the agency and changes to the contract to include all services rendered.
- A set of performance measures for evaluating individual branches.
- Specific controls for cash handling at the branches including reconciliation and storage of funds.

Management and staff agreed to 22 of the 25 recommendations and were prepared to take actions to implement them. Two (2) recommendations, both concerning passwords for access to the Horizon system, were deemed “not practical” due to the requirement of a new system or due to other factors which mitigate the overall risk. One (1) recommendation stating proof of payment for a room rental prior to giving access to the facility was disagreed with because of the undue hardship that prepaying may place on a community group.

ALTERNATIVES FOR CONSIDERATION:

Not applicable

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Financial
Tighter controls and oversight over fines and waivers may result in more revenue.

Staffing
None

Legal
None

POLICIES AFFECTING PROPOSAL:

None

RELEVANT CONSULTATION:
The recommendations were discussed with appropriate HPL staff. The report includes management action plans which reflect the responses of senior HPL staff.
CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced.  ☑ Yes  ☐ No
Public services and programs are delivered in an equitable manner, co-ordinated, efficient, effective and easily accessible to all citizens. The provision of a range of services for the reading and information needs of the citizens of the City of Hamilton contributes to the community's well being.

Environmental Well-Being is enhanced.  ☐ Yes  ☑ No

Economic Well-Being is enhanced.  ☑ Yes  ☐ No
City Council's strategic commitment to "Best Practices - Best Value" under "A City That Spends Wisely and Invests Strategically" is addressed through audits and reviews and their subsequent follow up to ensure controls are in place to protect the assets of the City and promote efficient, effective and economic services and programs.

Does the option you are recommending create value across all three bottom lines?  ☐ Yes  ☑ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants?  ☑ Yes  ☐ No

ap:dt
Attachment – Appendix “A”
### Observation of Existing System

1. **Information Technology Environment**
   - The Library (HPL) uses a Sirsi-Dynix integrated library system (ILS) called Horizon to manage a database of library materials and patrons' personal information. Access to Horizon is by generic branch usernames and a password that is shared by close to 200 users at the 24 locations. Such access allows circulation staff to perform tasks that include updating patrons' records, checking material in and out, processing patrons' payments and the waiving or writing-off of unpaid fines.
   
   Without user-specific usernames and passwords, it is not possible to monitor individual access to the system and to track transactions processed by individual employees. As such, management's ability to detect and monitor errors and irregularities perpetrated by specific users is impaired. In addition, shared usernames and passwords compromise system security by increasing the likelihood of unauthorized access to library records and patrons' personal information.

   That management approach Sirsi-Dynix about the feasibility of switching to user-specific usernames and passwords to access the existing version of Horizon (also known as 'Unicorn'). If such functionality is not available in the Unicorn version of Horizon, management should consider insisting on user-specific access when upgrading to the next version of Horizon (likely to be the 'Symphony' ILS).

   Agreed. Horizon currently supports user-specific usernames and passwords, although HPL staff have not tested the feasibility of implementing this. Due to the way staff currently share the same circulation stations during busy periods, this has not been identified as a priority.

   Different logins will be implemented at circulation service points as an interim step in 2008. As part of planning for the migration to a new system, we will ensure individual logins are incorporated with that migration.

   Not practical. Horizon currently supports user automated password prompts although these would need to be implemented in conjunction with individual usernames and passwords (see item 1). Because staff share and will continue to share logins until a new system is implemented, automated password changes are not currently practical.

   Not practical. It should be noted that while passwords are distributed unencrypted to staff there are two factors that greatly limit the risk of someone gaining unauthorized access. The first is the computer requires the current version of the Horizon client installed on the machine and the second is the machine must log onto the network.

<table>
<thead>
<tr>
<th>#</th>
<th>OBSERVATION OF EXISTING SYSTEM</th>
<th>RECOMMENDATION FOR STRENGTHENING SYSTEM</th>
<th>MANAGEMENT ACTION PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Information Technology Environment</td>
<td>That management approach Sirsi-Dynix about the feasibility of switching to user-specific usernames and passwords to access the existing version of Horizon (also known as 'Unicorn'). If such functionality is not available in the Unicorn version of Horizon, management should consider insisting on user-specific access when upgrading to the next version of Horizon (likely to be the ‘Symphony’ ILS).</td>
<td>Agreed. Horizon currently supports user specific usernames and passwords, although HPL staff have not tested the feasibility of implementing this. Due to the way staff currently share the same circulation stations during busy periods, this has not been identified as a priority. Different logins will be implemented at circulation service points as an interim step in 2008. As part of planning for the migration to a new system, we will ensure individual logins are incorporated with that migration.</td>
</tr>
<tr>
<td>2</td>
<td>The Electronic Services section that is responsible for changing the Horizon password does not appear to have a structured schedule that ensures that passwords are changed on a regular basis. The shared password has remained unchanged for close to seven months, having been last changed at the beginning of March 2007. The risk associated with shared passwords outlined in (1) above is compounded when the same passwords are used for extended periods of time. Further, new passwords are communicated to staff though unencrypted e-mails and faxes. The process may not be secure as the password could be received or viewed by unintended recipients, exposing the circulation system and patrons’ personal information to the risk of unauthorized access.</td>
<td>That management request Sirsi-Dynix to configure Horizon to prompt users for periodic password changes. If the system does not have the functionality for automated password prompts, Electronic Services should develop a schedule that ensures that passwords are changed regularly.</td>
<td>Not practical. Horizon currently supports user automated password prompts although these would need to be implemented in conjunction with individual usernames and passwords (see item 1). Because staff share and will continue the share logins until a new system in implemented, automated password changes are not currently practical.</td>
</tr>
</tbody>
</table>

---

CITY OF HAMILTON
INTERNAL AUDIT REPORT 2007-10
LIBRARY FINES AND OTHER REVENUES

Appendix “A” to Report CM08014
Page 1 of 8

---

---
## LIBRARY FINES AND OTHER REVENUES

### OCTOBER 2007

<table>
<thead>
<tr>
<th>#</th>
<th>OBSERVATION OF EXISTING SYSTEM</th>
<th>RECOMMENDATION FOR STRENGTHENING SYSTEM</th>
<th>MANAGEMENT ACTION PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.</td>
<td>The lowest level of staff access to the circulation system allows users an unlimited capability to process circulation related transactions. For example, Horizon does not place limits on the amount or the number of times circulation staff can waive fines or process fine overrides. In addition, the system does not require staff to input their identification or reasons for waiving the fines. Administrative procedures require that waivers for delinquent accounts that have been handed over for collection be processed only by the Manager of Circulation and Customer Services. As Horizon is not configured to restrict the processing of such transactions to the Manager, staff could process waivers for patrons whose accounts have been handed over. Due to the use of generic usernames and passwords, it was not possible during the audit to determine whether waivers for such accounts had been performed by persons other than the designated Manager. With an unlimited capability to waive fines and debt collection fees from delinquent accounts, the potential for misuse is increased and the library’s ability to maintain a cash neutral debt collection contract may be impacted.</td>
<td>That system access privileges granted to circulation staff be reviewed and made consistent with the level of their responsibilities.</td>
<td>Agreed (in principle). Horizon supports different security levels including giving supervisors different levels of access to staff. It supports, for example, limiting access menus such as the Circulation Waiver Menu. While the system supports these restrictions, they will have to be investigated and reviewed for potential public service impacts that could create barriers to the use of the library. Investigation and review to be completed by the end of 2nd quarter 2008.</td>
</tr>
</tbody>
</table>
| 4. | **Cash Handling Processes**

Twenty (20) of the library’s 24 branches use a non-sequentially, pre-numbered, hand-written Daily Cash Sheet as the primary cash receipt record. Upon receiving funds, staff indicate the revenue into appropriate columns on the Daily Cash Sheet and, at the end of the day, cash on hand is verified against the total on the sheet. Fairly consistently, cash on hand exceeds amounts recorded on the Daily Cash Sheet as staff sometimes forgets to update the sheet with amounts received. For this reason, the reliability of the Daily Cash Sheet as a mechanism for recording and controlling cash receipts is compromised. In addition, being a manual document onto which entries are sometimes entered by erasable pencil, amounts recorded on the Daily Cash Sheet are susceptible to manipulation.

A review of records from the other four branches which use cash registers showed cash discrepancies to be significantly lower than for branches using the manual system. In a month, one branch showed a cash surplus of $304, representing about 25% of revenues recorded on the Daily Cash Sheet for that month. Shortages and surpluses are recorded in the fine revenues account. | That a requirement to input staff identification and reasons for processing waivers be implemented. | Agreed. Current procedures around fines collection and waiving of fines will be reviewed to determine the best way to ensure individual staff are accountable for waiving of fines. This would include updated procedures and training to staff to ensure a reason is given and the staff identified. Updated procedures to be completed and training of staff to be started by end of 2nd quarter 2008. |

<p>|  | <strong>Agreed (in principle). Horizon supports different security levels including giving supervisors different levels of access to staff. It supports, for example, limiting access menus such as the Circulation Waiver Menu. While the system supports these restrictions, they will have to be investigated and reviewed for potential public service impacts that could create barriers to the use of the library. Investigation and review to be completed by the end of 2nd quarter 2008.</strong> | <strong>Agreed. Current procedures around fines collection and waiving of fines will be reviewed to determine the best way to ensure individual staff are accountable for waiving of fines. This would include updated procedures and training to staff to ensure a reason is given and the staff identified. Updated procedures to be completed and training of staff to be started by end of 2nd quarter 2008.</strong> | <strong>Agreed. A review will be undertaken and cash registers will be installed at those branches where the volume of cash receipts justifies installation by the end of the 1st quarter of 2008.</strong> |</p>
<table>
<thead>
<tr>
<th>#</th>
<th>OBSERVATION OF EXISTING SYSTEM</th>
<th>RECOMMENDATION FOR STRENGTHENING SYSTEM</th>
<th>MANAGEMENT ACTION PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.</td>
<td>Fines and circulation related fees received are not reconciled to reports from the Horizon circulation system. As such, there is no assurance that fines and fees received from patrons are recorded in the general ledger in their entirety. An analysis of these revenues for 2006 and 2007 showed that receipts reported in Horizon exceeded amounts recorded in the general ledger by $52,606 and $56,313 respectively, indicating possible cash shortages. Unreconciled cash shortages for individual branches ranged from 4% to 47% of amounts recorded in Horizon while bookmobiles reported even larger discrepancies that amounted to as much as 76% of amounts reported in Horizon. Staff stated that the differences noted do not necessarily indicate cash shortages as staff use the ‘waive’ and ‘payment’ functions interchangeably. As such, some amounts reported in Horizon as payments may actually have been waivers, reducing the reliability of Horizon reports. This practice may be due to staff’s awareness that Horizon reports are not used for cash balancing. Without a reconciliation of cash to circulation records and an investigation of cash discrepancies, the completeness of circulation revenues cannot be assured.</td>
<td>That circulation related revenues be periodically reconciled to Horizon cash reports and that management develop dollar thresholds beyond which discrepancies are investigated. That management implement training programs to standardize the use of the Horizon system for payment processing and that staff be made aware that cash reports from Horizon will be used for cash balancing.</td>
<td>Agreed. The Horizon Fee Payment transaction log supports recording workstation, cash drawer or department for each transaction and generating reports. Further investigation will be done in the 1st quarter 2008 to determine how best to use these reports. Agreed. A weekly report will be developed in the 1st quarter 2008 using Horizon that will enable Managers to reconcile weekly cash receipts with Horizon fines collections. A training program involving staff that perform circulation transactions will be developed to ensure all staff know how to properly record transactions related to fines.</td>
</tr>
<tr>
<td>6.</td>
<td>Bookmobiles reported a large amount of waivers as compared to regular branches. While waivers for the branches average 8% of amounts collected, in the first six months of 2007, bookmobiles waived three and a half times (360%) more fines than they collected, waiving approximately $3,300 in fines and collecting only $915. In 2006, bookmobiles waived about $6,300, almost as much as they collected. There is a risk that, if not checked, the unlimited capability to waive fines may be inappropriately used. Also, several instances were noted where patrons with fine balances greater than the borrowing ceiling of $10 ($5 for juveniles) were allowed to continue borrowing material from bookmobiles. The fines policy requires that borrowing privileges be suspended for patrons with balances greater than the borrowing ceiling. The above observations could be linked to the fact that PC Reliance, an offline database system used in bookmobiles, does not contain information about patrons’ unpaid fine balances, thereby limiting staff’s ability to enforce the policy. Patrons could take advantage of a lack of an up to date database in PC Reliance to check out material from bookmobiles and circumvent borrowing restrictions. The effectiveness of fines as a mechanism for managing the circulation process may be undermined.</td>
<td>That a requirement to input staff identification and reasons for waiving fines and other fees be implemented. That management immediately investigate the possibility of running a more comprehensive and up to date database in bookmobiles that contains information about patrons’ blocks and fine balances.</td>
<td>Agreed. A review of current procedures around fines collection and waiving of fines will be undertaken by the end of the 2nd quarter 2008 to determine the best way to ensure individual staff are accountable for waiving of fines. This could include updated procedures for ensuring a reason is given and the staff initials are recorded Agreed. An offline system that resides on the Bookmobile would not be able to economically support a comprehensive and up to date database since it would have to include the entire patron database for the City. Previous attempts at wireless on line access for the Bookmobile did not prove to be reliable. However, staff will investigate in 2008 current available technology that would enable us to implement wireless access on the Bookmobile.</td>
</tr>
<tr>
<td>#</td>
<td>OBSERVATION OF EXISTING SYSTEM</td>
<td>RECOMMENDATION FOR STRENGTHENING SYSTEM</td>
<td>MANAGEMENT ACTION PLAN</td>
</tr>
<tr>
<td>----</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>7</td>
<td>Cheques received from patrons are not endorsed immediately upon receipt. Of particular note are donations received by branches in cheque form and forwarded to the Business Office by inter-office mail without restrictive endorsement. This practice exposes the cheques to the risk of interception and fraudulent negotiation.</td>
<td>That cheques be restrictively endorsed immediately upon receipt.</td>
<td>Agreed. Procedures will be implemented immediately requiring cheques to be restrictively endorsed on receipt.</td>
</tr>
</tbody>
</table>
| 8  | **Collection Agency Contract**  
Invoices from the collection agency are approved for payment without verifying billings against internally generated reports. Using a program called DebtCollect, the library electronically transmits requests for notices and placements to the collection agency on a daily and weekly basis respectively. As such, all notices and placements billed by the collection agency should agree to notice and placement requests recorded in DebtCollect. The verification of the agency’s invoices should provide assurance about the validity of payments to the collection agency.  
Similarly, performance reports from the collection agency showing the value of material returned, payments received and waivers processed are not agreed to library records. Such details are electronically transmitted to the agency on a daily basis from the library’s DebtCollect system.  
The requirement for the collection agency contract to be budget neutral was an important consideration when the contract was negotiated. Without independent verification, the reliability of the agency’s reports may not be guaranteed and the cost effectiveness of the contract could be questioned. Using information currently contained in the collection agency’s performance reports, the contract appeared to be more favourable than budget neutral, with payments to the agency amounting to 29% of the value of material returned and fines paid or waived. | That prior to their approval for payment, invoices from the collection agency be verified against summaries generated from the DebtCollect system. The reports from DebtCollect could be attached to the invoices as proof of verification.  
That information about payments, waivers and the value of material returned reported in monthly performance reports produced by the collection agency be verified against internally generated reports.  
That the debt collection contract be actively monitored to ensure it remains budget neutral.                                                                 | Agreed. Staff will investigate, in the 1st quarter 2008, the reporting functionality in the Debt Collect module to ensure invoices received from the collection agency are accurate.  
Agreed. An investigation will carried out, in the 1st quarter of 2008, to determine if additional reports can be generated to determine the accuracy of the collection agency’s reports on payment.  
Agreed. The monthly statements are reviewed to ensure that budget neutrality is maintained.                                                                                                                                                                                    |
| 9  | Security over daily and weekly electronic transfers of patrons’ information to the US based collection agency needs to be improved. Information about patrons’ identities, addresses and payments is not encrypted but is transmitted to the agency in plain text. Without encryption, the confidentiality of patrons information may not be guaranteed as patrons’ information is exposed to the risk of unauthorised access and possible identity theft.  
Apart from the loss of public trust in the library’s processes, the effects of identity theft on individual patrons’ lives could be significant.                                                                                                                                                     | That library management explore the possibility of protecting patrons’ data through data encryption or other forms of electronic security.                                                                                                                                                                      | Agreed. The collection agency has not had a process by which data could be sent to them encrypted. However, at our request, the vendor has now provided the Library with software which will encrypt data that is sent to them electronically. Staff are in the process of testing the software and it will be implemented as soon as it is confirmed that it works with our system.                                              |
<table>
<thead>
<tr>
<th>#</th>
<th>OBSERVATION OF EXISTING SYSTEM</th>
<th>RECOMMENDATION FOR STRENGTHENING SYSTEM</th>
<th>MANAGEMENT ACTION PLAN</th>
</tr>
</thead>
</table>
| 10.| It was noted that some services provided by the collection agency are not included in the contract and are based on a verbal agreement with the agency. For example, the mailing of past due and billing notices to patrons for which the library has paid over $19,000 in the past eighteen months (over 30% of payments to the agency) is based on a verbal agreement. While the agency has been providing cost effective and timely service, management needs to ensure that the library’s interests are protected and that arrangements with third parties are formalized by way of written and binding contracts. In addition, the existing agreement for placements does not provide for a mutually agreed upon rate adjustment formula in case of a fluctuation in the Canadian rate of exchange with the US dollar. This is especially important given the recent strengthening of the Canadian dollar against US currency. Such a formula would make it possible for management to pro-actively monitor price changes. Presently, the collection agency unilaterally decides when and by how much to adjust the placement billing rate. | That a comprehensive debt collection agreement be drawn up that will ensure that:  
- All services provided by the collection agency are incorporated into the agreement.  
- A rate adjustment formula that is responsive to currency fluctuations is negotiated or that the billing rate be set in US dollars. | Agreed. A review of the existing contract will be undertaken in the 1st quarter 2008 with a view to incorporate all services provided by the collection agency into the agreement and address currency fluctuations.                                                                                                                                                                                                 |
| 11.| According to collection reports received from the collection agency, about 20% of accounts handed over to the agency do not have the correct current address. This makes collection difficult and in many cases, improbable. Such errors have an unrecoverable cost component attached to them as the collection agency bills the library a $14.80 fee for every balance handed over, whether information is correct or not. | That management put in place a process for periodically confirming patrons’ addresses in Horizon to ensure that information handed over for collection is accurate. | Agreed. Currently, the system is set to request address checks once a year when patrons use our services.                                                                                                                                                                                                 |
| 12.| **Photocopy and Copy Card Revenues**  
There does not appear to be an adequate segregation of duties in the collection, recording and banking of photocopy revenues at the central library. The clerk responsible for collecting cash from the machines is also responsible for recording and banking the funds. Further, funds collected from the machines are not deposited intact and are often deposited more than a month after collection, after some of the funds have been used to provide loose float for the circulation desk.  
In addition, photocopy readings are not used to verify the completeness of funds collected.  
Similarly, readings taken from the Mini Till for the sale of copy cards are not reconciled to funds collected from the machines. The accuracy of amounts reported as copy card revenues can therefore not be independently verified.  
Although copier revenues have been steadily decreasing over the last few years and in total represent a very small part of the other revenues collected by the library (2006 - $31,755), a simple reconciliation of the readings to funds collected would provide some assurance as to the completeness of the copier/copy card revenues recorded. | That, in order to compensate for a lack of segregation of duties in the cash collection process and to provide assurance about the completeness of funds recorded, readings taken from coin operated photocopier and Mini Till machines be reconciled to funds collected. | Agreed. A procedure will be implemented by the end of the 1st quarter 2008 that will require readings from coin operated photocopiers and Mini Till machines to be reconciled to funds collected. |
<table>
<thead>
<tr>
<th>#</th>
<th>OBSERVATION OF EXISTING SYSTEM</th>
<th>RECOMMENDATION FOR STRENGTHENING SYSTEM</th>
<th>MANAGEMENT ACTION PLAN</th>
</tr>
</thead>
</table>
| 13 | **Performance Measures**  
Key performance indicators related to the operation of individual branches and the billing and collection of fines and other revenues are not presented to senior or local branch management. The performance of individual branches with respect to fines levied, collected and waived as well as information about delinquent patrons is never formally reviewed by management for the purpose of evaluating the performance of individual branches or assessing the efficiency and effectiveness of cash collection processes.  
Without formalized performance measures for branches and other functional areas, there is a risk that operational inefficiencies will remain undetected which may affect the library’s ability to provide high quality public service. |

That management consider introducing the following performance measures:  
- Fine waivers above certain established limits  
- Fines waived by branch (number and dollar)  
- Fine waivers by staff identification  
- Delinquent accounts handed over by branch  
- Fines waived as a percentage of billings |

Agreed. The collection of various performance measures data will be investigated in 2008. |
ADDENDUM

The following items were noted during the course of the audit. Although they do not present internal control deficiencies, they are indicated in this Addendum so management is aware of the issues and can address them as necessary.

1. Contrary to the Cash Responsibilities policy, cash discrepancies are not reported to the Branch Manager nor are an Incident Report completed when cash shortages or surpluses occur. Internal Audit established that every branch reports cash surpluses or shortages on a daily basis and that staff may not be reporting the discrepancies due to their regularity and at times, their immateriality.

   **It is recommended:**
   That management review the incidence of cash surpluses and shortages and establish a threshold for reporting discrepancies to the branch manager.

   **Management Response:**
   Agreed. Branch Managers will be required to review the Daily Cash Sheets and initial the Branch Cash Reports effective in the 1\textsuperscript{st} quarter 2008.

2. The Room Rentals policy requires that room rentals be paid for in advance. While the majority of rentals reviewed were paid for on or before the event date, a review of 2006 and 2007 invoices indicated that some clients used library facilities before making payment. At the end of September 2007, nine invoices remained unpaid for events that had already been held, some of them as far back as February and July 2006.

   **It is recommended:**
   That the Library’s security staff obtain proof of payment prior to granting room access for library facilities to rental customers.

   **Management Response:**
   Disagreed. The Room Rentals policy states that room rentals “should” be paid in advance but do not make it mandatory. Most of our room bookings are to community groups and mandating payment in advance would restrict access to meeting space by some of the groups. Room booking requests for groups that have not paid in the past are denied. Staff will review the monitoring procedure in 2008 for unpaid room rentals.

3. Each branch is issued with a stock of sequentially pre-numbered deposit slips that also bear the branch’s unique deposit slip number. Deposits are supposed to be made in accordance with the sequential numbering on the deposit slips to facilitate the monitoring of deposits. Three of the nine branches selected by Internal Audit did not complete documentation in the order of the sequential numbering on the bank deposit slips, making it difficult to establish the completeness of deposits.

   **It is recommended:**
   That the Business Office conduct periodic training sessions for branch personnel that have cash handling responsibilities to ensure that the deposit process is standardized across all library branches.

   **Management Response:**
   Agreed. The existing cash handling training program for branch personnel will be reviewed and standardized across all library branches. This will be co-ordinated with the review of procedures around fine collection to be undertaken in the 2\textsuperscript{nd} quarter 2008.
4. The following observations were noted during visits to two of the library’s 24 branches:

a) At one branch, cash is not reconciled to Daily Cash Sheets on a daily basis, resulting in differences accumulating for the two week period and being reported on the day of banking. Cash differences for the period can therefore not be attributed to a particular day, making it difficult to investigate the cause of the difference. Also, it does not appear that cash differences are reported to the Branch manager as required by policy.

It is recommended:
That Daily Cash Sheets be reconciled to cash on hand on a daily basis and that variances be reported to the Branch Manager and investigated.

Management response:
Agreed. Staff will be instructed to reconcile Daily Cash Sheets to cash on hand on a daily basis and Branch Managers will be required to review the daily cash sheets and initial the Branch Cash Reports effective in 2008.

b) Daily Cash Sheets are sometimes written in pencil, exposing them to the risk of manipulation.

and

c) At one branch, cash is kept in a drawer at the front desk overnight instead of being stored in a locker located outside public view.

It is recommended:
That the Business Office and branch management conduct training to ensure that staff with cash handling responsibilities comply with policies and procedures.

Management response:
Agreed. The existing cash handling training program for branch personnel will be reviewed and standardized across all library branches. This will be co-ordinated with the review of procedures around fine collection to be undertaken in the 2nd quarter 2008.

Staff will be instructed immediately that Daily Cash Sheets are to be written in ink.

A review of how cash is stored overnight at the branches will be undertaken in the 1st quarter 2008 to ensure that cash is appropriately protected.

d) At one branch, room rentals are billed for one four hour period regardless of the duration of the rental. For example, none of the sampled bookings were billed for more than one four-hour period, despite the fact that some of them had used the facility for an entire day.

It is recommended:
That branch management ensure that staff comply with the library’s policies and procedures regarding room rentals.

Management response:
Agreed. Room rental policies and procedures will be reviewed with Branch Managers by the end of 2007.