# CITY OF SAN ANTONIO

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April 7, 2015

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SUBJECT: Audit Report of the Public Library Billing and Collection of Fines and Fees

Mayor and Council Members:

We are pleased to send you the final report of the Audit of the Public Library Billing and Collection of Fines and Fees. This audit began in April 2014 and concluded with an exit meeting with department management in January 2015. Management's verbatim response is included in Appendix B of the report. The Public Library's management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
City of San Antonio

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# CITY OF SAN ANTONIO

# OFFICE OF THE CITY AUDITOR

Audit of the Public Library

Billing and Collection of Fines and Fees

Project No. AU14-019

April 7, 2015

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

# Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the San Antonio Public Library's billing and collection process of fines and fees. The audit objectives and conclusions follow:

**Are controls over the Library's process for billing and collection of fines and fees adequate?**

No, Standard processes do not exist to serve as effective controls to ensure that revenues and expenditures for fines and fees are adequately monitored for accuracy and compliance in the following areas:

A. Contract for Recovery of Fines and Fees

- Controls do not exist to validate the accuracy of quarterly expenses (commission and postage/printing fees) rendered by the vendor.

- The collection philosophy in place by the contract monitor is not effective to ensure that all accounts identified for collection will be submitted to the vendor.

- The Library may have over paid commission fees in the amount of $2,136 (6%) of the $35,755 commissions paid for collection services. In total, $26,021 was paid in postage fees. Due to lack of support, we could not validate the accuracy of the amount of postage fees paid to the vendor.

B. Monitoring of the Library's Revenue and Accounts Receivable Accounts

- The Library's year-end adjustment for accounts receivable was booked to the Finance department code rather than the Library's department code in SAP. Consequently, the general ledger account, at the department level, was understated by $8.5M. The error causes an understatement at the department level; however, it is not a misstatement at the consolidated level.

- For Fiscal years 2008 thru 2011 the year-end adjustment for projected revenue (i.e. unearned) from fines and fees was being recorded to the "library fines" revenue account at the fund level in SAP. This is incorrect because revenue had not been collected and therefore was not available.

- For periods 2012 through 2014, methodology for recording of year-end adjustments for receivable transactions (to include revenue) changed several times often without documented justification or communication to Library staff.

C. Contract for Copy and Print Services

- Controls do not exist to ensure the accuracy of the vendor usage reports used to calculate commission due to the Library.

- Physical inventories are not taking place to ensure that commission is received for machines in use.

D. Contracts for Library Room Rentals

- Standard monitoring controls are not effective to ensure that rooms are reserved and that fees are collected appropriately. We noted that 58 of the 68 events reviewed did not have a signed contract on file with the Library and 67 of the 68 events were not recorded on the Library's event calendars as required by internal policy.

E. Adjustments/Corrections to Patron Accounts

Controls are not effective to ensure compliance with the City Administrative Directive and internal policies for adjustments/corrections:

- Three of the 39 (8%) refunds reviewed totaling $124 were not properly approved – the refund request form was not signed. Additionally, refund transactions are not being reviewed to ensure that they are coded to the original account used at the point of sale in SAP. We identified three refunds (8%) totaling $169 that were not coded to the original general ledger accounts.

- Four of the 24 adjustments (17%) reviewed totaling $300 were not approved appropriately or not justified as required by internal policy.

While the dollars amounts are not material for the samples tested, compliance with internal controls would ensure that refunds and adjustments are appropriately reviewed and approved.

F. General IT Controls for the Millennium System

- The Library is not in compliance with the City's IT directives. Consequently, user password criteria has not been established, periodic user account reviews are not performed, terminated employees have active user accounts, and employees appear to have privileges that do not seem appropriate based on their job titles.

Library Management's verbatim response is in Appendix *B on page 13.*

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# Background

The City maintains and operates 25 library branches. In addition, the City shares joint responsibility with the North East Independent School District to service the Molly Pruitt Library at Roosevelt High School.

The San Antonio Public Library is governed by a City Council appointed Board of Trustees. The Board is responsible for providing strategic oversight for the Library system, including the management, care, control and maintenance of all system properties. The Library Director is the chief executive and administrative officer of the Library.

The Library's FY 2014 operating budget is $34 million dollars. Library operations are funded through the City's general fund and other resources: federal and state grants; private donations; annual gifts (San Antonio Public Library Foundation and the Friends of the San Antonio Public Library); and an interlocal agreement with Bexar County to extend library services to all county residents.

In FY 2013, the Library collected approximately $4.8 million dollars of revenue from various fines and fees. The following table provides a detailed listing of fines and fees by category[1]:

| FY 2013 Fine and Fee Collection Summary | |
|---|---|
| **Fine/ Fee Category Type:** | **Amount Collected:** |
| Bexar County Annual Fee | $ 3,784,029 |
| Overdue Fines | 811,173 |
| Material Replacement Fees | 74,150 |
| Room Rental Fees | 39,661 |
| Printing Service Fee | 25,306 |
| Non-Residential Library Card Fees | 11,770 |
| Collection Agency Fees[2] | 9,107 |
| Total | $ 4,755,196 |

[1] Collection totals were obtained from the City's financial accounting system (SAP).
[2] Patron accounts referred to the collection agency are charged a $10 fee by the Library.

# Audit Scope and Methodology

Our audit scope included reviews of financial contract terms between the Library and 3rd party vendors, interlocal agreements for use of Library services, and fines and fees charged to patron accounts.

We reviewed the financial aspects of the collection agency contract with Unique Management Services, printing services contract with DOCUmation Inc., room rental contracts, and the interlocal agreement in place with Bexar County. In addition, we reviewed the department's current processes, internal policies and procedures, related city administrative directives, and conducted staff interviews.

We selected five out of the 25 library branches to review. Several factors were considered in our selection: geographical location, total revenue collected, and the frequency of periodic reviews conducted by the Finance Compliance and Resolutions Department.

In addition, for the five branches selected we took the combined population of 129 events and judgmentally selected 68 paid events (based on amount paid) in SAP to review and tie back to their respective contracts.

Additionally, we reviewed the accuracy and completeness of refunds and adjustments/corrections granted to library patrons in FY 2013. From a population of 363 refunds in SAP, we judgmentally selected 39 refunds to review and from a population of 27,925 patron account adjustments/corrections reported in the Millennium system, we judgmentally selected 24 account adjustments/corrections to review.

We relied on computer-processed data in the Millennium System and SAP to validate patron records, payments, and outstanding balances. The Library uses the Millennium System and SAP to manage its circulation and accounting records. In addition, we tested the general application controls regarding system access and user account management for the Millennium system. To verify user access, we judgmentally selected 25 essential personnel's access as well as the total population which consisted of nine non-city employees with system access.

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 audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives. Our audit included tests of management controls that we considered necessary under the circumstances.

# Audit Results and Recommendations

## Revenues and Expenditures for Fines and Fees are not adequately Monitored

Standard processes do not exist to serve as effective controls to ensure that revenues and expenditures for fines and fees are adequately monitored for accuracy and compliance in the following areas:

### A. Contract for Recovery of Fines and Fees

Controls did not exist to ensure that the accuracy of the amounts billed each quarter (commission fee and postage/printing fees) were correct. Furthermore, the collection philosophy in place to ensure that accounts are identified and submitted to the vendor is not effective nor does it comply with internal policy as it relates to collection efforts for library employee accounts (Library AD 10.2).

Specifically, we noted the following:

- Library staff was not reviewing detailed reports made available to them by the contractor.

- A reconciliation of the vendor reports back to the data in the Millennium system was not conducted to ensure that the reports were accurate.

- The contract monitor was arbitrarily selecting the patron accounts to submit for collection; the current process does not provide assurance that all delinquent accounts identified and prioritized are submitted for collection.

- Employee accounts were not being referred to the collection agency. Instead, the current process is to monitor the employee accounts separately and notify the employee supervisors. We were not provided with support to provide assurance that the current process is consistently taking place.

- The commission charged by the contractor included processing and collection fees assessed by the Library for each patron account. These processing fees were made up of the $10 collection fee and if applicable the $5 processing fee for lost/damaged items. Based on contract terms, it is not clear whether these fees should be excluded from the base used to calculate commission due to the collection agency.

Due to the lack of controls, the Library could have been potentially overcharged by $2,136 (6%) of the $35,755 commissions paid in collection services.

Per the City contract with Unique Management Services, the vendor is to assist in collection recovery efforts on delinquent accounts for overdue library materials. In return, the Library pays the contractor a quarterly recovery fee based on a commission rate of 22.5% of the amount collected. The Library also pays the vendor a fee for printing and postage for recovery notifications that are mailed (if the patron does not have an email account). In FY 2013, the Library paid the vendor $35,755 in commission fees and $26,021 for postage and printing fees, respectively.

Patron accounts are considered eligible for collection once their account meets a threshold of $25 outstanding balance and no payment activity within a 60 day period. Library staff limits referrals to the contractor to approximately 500 eligible accounts on a monthly basis even though there are additional accounts that meet the collections criteria. Per the contract monitor, 500 accounts per month is equivalent to the annual $35,000 budgeted amount for commission payments to the vendor.

Without performing a review or reconciliation of the contractor's invoices, the Library is at risk of overpaying the contractor for inaccurate commission and postage/printing fees due. Additionally, failure to appropriately track and submit delinquent patron accounts (to include employee accounts) increases the risk of lost revenue.

**Recommendations**

The Library Director should:

- Implement a process to ensure that all accounts are submitted to the collection agency. Consider keeping a tracking log that assists in ensuring that all overdue accounts are referred. The tracking log should be reviewed and signed monthly as evidence of monitoring efforts.

- Consider generating a report from the Millennium system that is sorted by number of notifications, and use the report as a source to perform a reconciliation to ensure that invoices for patron notifications are accurate. Additionally, the reconciliations should be reviewed and approved by someone other than the preparer.

- Implement a standard process for ensuring the accuracy of the commission amount billed on a quarterly basis. A reconciliation of the amount reported on the Unique Collection Statements to the amount recorded in the Millennium System should be conducted. Additionally,

the reconciliations should be reviewed and approved by someone other than the preparer.

- Notify contractor of differences in commission calculations and request reimbursement. Contract Sec 4.3 states "At the end of the term of the contract, the City will make a claim for any deficiency."

- Ensure that library employees with overdue fines are tracked and followed up on timely. Internal policies should be updated to document the current collection process.

- Determine if the collection agency fee and the processing fee should be included in the commissions paid to the vendor.

**B. Monitoring of the Library's Revenue and Accounts Receivable Accounts**

Net accounts receivable GL balances were significantly misstated at the department level. The Department Fiscal Administrator along with the Library's accounting staff is not monitoring the department's accounts receivable (A/R) balances reported in SAP to ensure that the general ledger accounts are accurate. Additionally, they were not aware of changes in accounting methodology made by Finance that first took place beginning in FY 2012.

During the audit, we conducted a reconciliation between the "Summary of Receivable Collectible" worksheet that is prepared by the Library's Sr. Accountant and the data recorded in SAP. Based on our review, we noted the following discrepancies:

1. For FY 2012 and FY 2013, the allowance for uncollectable accounts exceeded the accounts receivable balances causing a negative net receivable balance at the department level (i.e. indicating we owe money instead of money due to us). The accounts were corrected for the FY 2014 after notification by Audit.

   This was primarily due to a journal entry that was incorrectly posted to the accounts receivable account in FY 2009 in the amount of $8.5M. The entry was booked to the wrong department business code in SAP. It was booked to the Finance department's code rather than the Library's code. As of FY 2013, the error had not been corrected in SAP. Consequently, we noted that as of FY 2013 accounts receivable was understated by $8.5M.

The following table reflects the balances in SAP:

| Summary of GL Account Balances for A/R Transactions | | | | |
|---|---|---|---|---|
| **Balance Sheet Accounts** | **Library Bus. Area** | **FY2012** | **FY 2013** | **FY 2014** |
| **Asset Accounts:** | | | | |
| Library Accounts Receivable | 400 | $ 3,270,035 | $ 4,535,406 | $ 14,134,973 |
| Allowance for Uncollected Accounts | 400 | (4,693,480) | (6,993,028) | (13,807,598) |
| Net Receivables | | $ (1,423,445) | $ (2,457,622) | $ 327,375 |

2. Additionally, as a result of our reconciliation, we noted that for fiscal years 2008 thru 2011 the year-end adjustment for projected revenue (i.e. unearned) from fines and fees was being recorded to the "library fines" revenue account at the fund level in SAP. This is incorrect because revenue had not been collected and therefore was not available.

3. For periods 2012 through 2014, methodology for recording of year-end adjustments for receivable transactions (to include revenue) changed several times often without documented justification or communication to Library staff.

   Specifically, the accounting methods used to record unearned and earned revenue has fluctuated since FY 2012. Based on the number of transactions recorded in various general ledger deferred and allowance for revenue accounts and lack of documentation, we were unable to determine the accurate amount of revenue collected from fines and fees.

Without appropriate monitoring of the accounts receivable account at the department level, the department is at risk of misstating internal reports that may be used for budgeting purposes and/or for management decisions made at the department level.

**Recommendation**

The Library Director in conjunction with Finance should implement policies and procedures that provide guidance in monitoring the Library's accounts receivable. The process should include account reconciliations as well as an annual review of the accounts in SAP. Additionally, updates to accounting methods should be documented and communicated to appropriate personnel.

## C. Contract for Copy and Print Services

Controls do not exist to ensure the accuracy of the vendor monthly usage reports and commission checks for photocopiers and printers maintained by DOCUmation for the library branches. Specifically:

- Library personnel are not performing independent meter readings or physical inventories of photocopiers and printers; therefore, the meter readings on the usage reports could not be verified.

- Discrepancies were identified between the vendor's usage report and the number of printers and copiers identified during our audit at the Central Library. We noted that one of the 10 photocopiers and two of the six printers listed on the usage report could not be located in the Central Library; and two printers in use were not listed on the usage report.

Per the licensed agreement with DOCUmation, Inc., they are to provide and maintain the Library with coin operated public photocopiers and computer printers. The agreement states that the Library is to receive ten percent of the revenue generated. In FY 2013, the vendor paid the Library $20,246 for commissions earned from copy and printing collections.

Without performing a review or reconciliation of the vendor's usage reports, the Library is susceptible to lost commission due to inaccuracies in the vendor reports.

### Recommendations

The Library Director should:

- Maintain logs of monthly meter readings. The logs should be updated when the vendor collects and records the monthly meter readings. Perform a monthly reconciliation between the vendor's monthly usage reports and the meter reading logs.

- Perform physical inventories of the copiers and printers located at the libraries. Ensure that the inventory count agrees to the inventory listed on the vendor's usage report.

## D. Contracts for Library Room Rentals

Standard monitoring controls are not effective to ensure that rooms are reserved and that fees are collected appropriately.

The Library offers a variety of space and meeting room facilities to the public for a fee. The fee is determined by the type of room, the number of hours the room will be used, and the type of organization (non-profit vs. commercial). The following table lists the fees charged by room type and time frame[3]:

| Branch Space Rental Fees | Non-Profit Use Rates | | | Commercial Use Rates | | |
|---|---|---|---|---|---|---|
| | 0-2 hrs | 2-4 hrs | 4+ hrs | 0-2 hrs | 2-4 hrs | 4+ hrs |
| Branch Meeting Rooms (all locations) | | $20/hr | | | $20/hr | |
| IGO/Mission/Parman Auditorium (half) | $ 15 | $ 30 | $ 60 | $ 40 | $ 70 | $ 130 |
| IGO/Mission/Parman Auditorium (entire) | $ 30 | $ 60 | $ 120 | $ 80 | $ 140 | $ 260 |
| Landa Gardens (ground & pavilion) | $ 150 | $ 400 | $ 800 | $ 300 | $ 625 | $ 1,000 |
| Landa Terrace | | 40/hr | | | 40/hr | |
| Mission North Courtyard | $ 250 | $ 350 | $ 450 | $ 400 | $ 800 | $ 1,250 |
| Parman Amphitheater | $ 250 | $ 350 | $ 450 | $ 400 | $ 800 | $ 1,250 |
| | | | | | | |

| Central Space Rental Fees | Non-Profit Use Rates | | | Commercial Use Rates | | |
|---|---|---|---|---|---|---|
| | 0-3 hrs | 3-5 hrs | 5+ hrs | 0-3 hrs | 3-5 hrs | 5+ hrs |
| Auditorium | $ 150 | $ 250 | $ 600 | $ 250 | $ 450 | $ 800 |
| Foyer | $ 75 | $ 125 | $ 250 | $ 150 | $ 250 | $ 400 |
| Auditorium/ Foyer Combo | $ 175 | $ 325 | $ 650 | $ 325 | $ 500 | $ 1,000 |
| Central Library Plaza | $ 450 | $ 700 | $ 1,200 | $ 600 | $ 1,000 | $ 1,500 |
| Chihuly Area | $ 75 | $ 125 | $ 250 | $ 150 | $ 250 | $ 400 |
| East Terrace | $ 125 | $ 250 | $ 500 | $ 200 | $ 400 | $ 700 |
| West Terrance | $ 150 | $ 300 | $ 600 | $ 250 | $ 450 | $ 800 |
| East/ West Terrance | $ 250 | $ 500 | $ 1,000 | $ 400 | $ 800 | $ 1,250 |
| Fourth/ Fifth Floor Terrance Combo | $ 125 | $ 225 | $ 500 | $ 250 | $ 450 | $ 800 |
| Gallery | $ 125 | $ 250 | $ 500 | $ 200 | $ 450 | $ 750 |
| | | | | | | |
| | 0-2 hrs | 3-4 hrs | 4+ hrs | 0-2 hrs | 3-4 hrs | 4+ hrs |
| Board Room | $ 40 | $ 80 | $ 100 | $ 60 | $ 120 | $ 180 |
| Conference Room | $ 15 | $ 30 | $ 60 | $ 30 | $ 60 | $ 100 |
| Entire Facility (after hours) | $ 2,000 | | | $ 3,000 | | |
| | | | | | | |

Per internal policy, a contract is to be signed and the fee should be collected prior to the event. Additionally, a tracking process should be in place for each branch to ensure that room reservations are monitored appropriately. Each library branch should track room reservations via an event Outlook calendar.

For the five branches reviewed, we determined that room rental contracts were not kept on file and events are not reserved on the event calendar for tracking purposes. We obtained a listing of room fees recorded in SAP and attempted to tie the fee amounts back to the contracts for the respective events. We noted that 58 of the 68 events reviewed did not have a signed contract on file with the Library and 67 of the 68 events were not recorded on the Library's event calendars.

[3] Obtained from the Library's Fines and Fees Rate Schedule

Without a contract that illustrates the room type reserved, we could not determine if the room rental fees recorded in SAP accurately reflected the room rates listed on the previous table.

**Recommendation**

The Library Director should implement a formal room rental contract review process. Contracts should be tracked and tied back to the room rental event Outlook calendars, the Millennium system, and SAP.

## E. Adjustments/Corrections to Patron Accounts

Controls are not effective to ensure compliance with the City Administrative Directive (AD) and internal policies for adjustments/corrections.

According to the Library's internal policy for refunds, a refund request form should be used and signed by a librarian in-charge or by the central circulation manager at the branch level. Additionally, AD 8.1 states that refunds shall be completed by charging the revenue general ledger account that was originally credited. In FY 2013, the Library issued 363 refunds totaling $9,853.

Based on a review of 39 refunds, we noted that three refunds (8%) totaling $124, were not properly approved – the refund request form was not signed. Additionally, refund transactions are not being reviewed to ensure that they are coded to the original account used at the point of sale in SAP. We identified three refunds (8%) totaling $169, that were not coded to the original general ledger accounts.

In addition to refunds, the Library may make adjustments/corrections on patron accounts for various reasons. Per internal policy, adjustments/corrections can only be issued by an approving authority giving them permission to adjust a patron's account. Additionally, a "payment note" should be entered in the Millennium system, providing a reason for the adjustment. In FY2013, the Library granted 27,925 adjustments/corrections totaling $110,473.

Examples of adjustments/corrections noted in the policy are: failure by staff to enter accurate information into a patron's account; a system error that resulted in an invalid fine, pre-millennial fines (prior to 2004), or a hardship is granted (i.e. circumstances deemed beyond the patron's control).

Based on a review of 24 adjustments/corrections, we noted that four (17%) totaling $300, were not approved appropriately or not justified as required by internal policy.

While the dollars amounts are not material for the samples tested, compliance with internal controls would ensure that refunds and adjustments are appropriately reviewed and approved.

**Recommendations**

The Library Director should:

- Implement controls to ensure that all refunds are properly approved and coded appropriately after the refunds have been processed in SAP.

- Implement controls to ensure that all adjustments/corrections are properly approved and an explanation of the adjustment is provided in the Millennium system.

## F. General IT Controls for the Millennium System

A standard process to ensure compliance with the City's IT Directives does not exist. Based on a review of the Millennium System's general controls, we noted the following deficiencies:

- The system administrator has not established formal user password criteria. In addition, user passwords are not set to expire. AD 7.6 Security and Passwords recommends the use of strong passwords and requires passwords to expire in intervals of 90 days.

- The system administrator does not perform periodic user account reviews. AD 7.8E User Account Management states that system administrators shall perform periodic reviews on user accounts no less than annually. In addition, AD 7.8d Access Control states that access authorization should be formal, well-defined, documented and an auditable process. Currently, 426 employees have access to the system.

- The system does not have a control in place to suspend accounts during periods of inactivity.

Due to lack of monitoring controls we noted the following user access issues:

- Four terminated employees had active accounts

- Ten employees and five non-city employees had extended privileges. For example, we noted that several users that were not supervisors and/or were not cashiers had access to waive fees, collect fines, override check-in dates, and create/ delete patron records.

- Formal requests to add Millennium user accounts for non-employees at the Molly Pruitt Library are not kept on file.

Without the effective system controls identified in the City's ADs, users can obtain unauthorized or inappropriate access to the system and data.

**Recommendation**

The Library Director should strengthen security and access controls for the Millennium System and ensure compliance with the City's Administrative Directives implemented by the Information Technology Services Department.

# Appendix A – Staff Acknowledgement

Sandy Paiz, CFE, Audit Manager
Christopher Moreno, CFE, Auditor in Charge
Reina Sandoval, Auditor

# Appendix B – Management Response

**CITY OF SAN ANTONIO**

P.O. Box 839966
SAN ANTONIO TEXAS 78283-3966

January 29, 2015

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for the Audit of the Public Library Billing and Collection of Fines and Fees

The San Antonio Public Library has reviewed the audit report and has developed the Corrective Action Plans below corresponding to report recommendations.

| Recommendation | | | | | |
|---|---|---|---|---|---|
| # | Description | Audit Report Page | Accept, Decline | Responsible Person's Name/Title | Completion Date |
| A1 | **Contract for Recovery of Fines and Fees**<br><br>The Library Director should:<br><br>• Implement a process to ensure that all accounts are submitted to the collection agency. Consider keeping a tracking log that assists in ensuring that all overdue accounts are referred. The tracking log should be reviewed and signed monthly as evidence of monitoring efforts. | 4 - 5 | Accept | Kathleen Donellan/Assistant Director | April 2015 |

| Recommendation | | | | | |
|---|---|---|---|---|---|
| # | Description | Audit Report Page | Accept, Decline | Responsible Person's Name/Title | Completion Date |
| | • Ensure that library employees with overdue fines are tracked and followed up on timely. Internal policies should be updated to document the current collection process. | | | | |
| | **Action plan:**<br>The Library is submitting all eligible prioritized accounts for collection. All prioritized accounts are tracked in a master log for evidence of monitoring efforts by the contract administrator. As a result of the audit, the Library Fiscal Office will work with the collection agency to ensure that all eligible accounts are submitted for collection, not just the prioritized accounts.<br><br>The Library management also revisited with the responsible managers to establish internal processes to collect on employee accounts to make sure that all appropriate monitoring was occurring. All employee accounts are submitted to their immediate supervisor for resolution and appropriate action per Library Administrative Directive 10.2 on Borrowing of Library Materials by Library Staff. If any employee accounts reach the eligibility threshold for submission to the Collection Agency, those accounts will be referred to collections as documented in the L.A.D and recommended in the audit finding. | | | | |

2

| Recommendation | | | | | |
|---|---|---|---|---|---|
| # | Description | Audit Report Page | Accept, Decline | Responsible Person's Name/Title | Completion Date |
| A2 | **Contract for Recovery of Fines and Fees**<br><br>The Library Director should:<br><br>• Consider generating a report from the Millennium system that is sorted by number of notifications, and use the report as a source to perform a reconciliation to ensure that invoices for patron notifications are accurate. Additionally, the reconciliations should be reviewed and approved by someone other than the preparer.<br><br>• Implement a standard process for ensuring the accuracy of the commission amount billed on a quarterly basis. A reconciliation of the amount reported on the Unique Collection Statements to the amount recorded in the Millennium System should be conducted. Additionally, the reconciliations should be reviewed and approved by someone other than the preparer. | 4 - 5 | | Dale McNeil/Assistant Director & Kathleen Donellan/Assistant Director | April 2015 |

3

| Recommendation | | | | | |
|---|---|---|---|---|---|
| # | Description | Audit Report Page | Accept, Decline | Responsible Person's Name/Title | Completion Date |
| | **Action plan:**<br>In response to the audit finding, the Library Department has generated a Millennium notification report and implemented a process to ensure the accuracy of the patron notification notices and commission amount billed on a quarterly basis. The Library Department coordinated with Finance Compliance and Resolution to develop and document a process to validate invoices. A statistically valid sampling process has been implemented based on the report to ensure the accuracy of the billing. Sampled accounts will be reviewed in Millennium and confirmed that billing is allowable on the account. Also, separation of duties has been implemented in the review of the sampling and billing validation process. Billing errors will be immediately submitted to the vendor. | | | | |
| A3 | **Contract for Recovery of Fines and Fees**<br><br>The Library Director should:<br><br>• Determine if the collection agency fee and the processing fee should be included in the commissions paid to the vendor.<br><br>• Notify contractor of differences in commission calculations and request reimbursement. Contract Sec 4.3 states "At the end of the term of the contract, the City will make a claim for any deficiency." | 5 | Accept | Kathleen Donellan/Assistant Director | April 2015 |
| | **Action plan:**<br><br>As recommended in the audit, the Library Department has made the determination based on a thorough review of the contract and a legal consultation with the City Attorney's Office that the collection agency fee and processing fee should be included in the commission calculation. In addition, the Library Department submitted a claim on February 27, 2015, for over-payment of commission in the amount of $2,136 as identified under this audit. A review process has now been implemented to validate payments to avoid possible overpayment. If commission over-payments are ever made in error again in the future, the Library Department will immediately submit claims for deficiencies. | | | | |

4

| Recommendation | | | | | |
|---|---|---|---|---|---|
| # | Description | Audit Report Page | Accept, Decline | Responsible Person's Name/Title | Completion Date |
| B | **Monitoring of the Library's Revenue and Accounts Receivable Accounts**<br><br>The Library Director in conjunction with Finance should implement policies and procedures that provide guidance in monitoring the Library's accounts receivable. The process should include account reconciliations as well as an annual review of the accounts in SAP. Additionally, updates to accounting methods should be documented and communicated to appropriate personnel. | 6 | Accept | Melanie Seale/Assistant Director & Kathleen Donellan/Assistant Director | December 2014 |
| | **Action plan:**<br>The Library's accounts receivables are tracked and maintained at the customer level in its Millennium System. This system does not have the ability to interface with SAP. For annual reporting purposes, Finance requests the outstanding receivable balance in Millennium as of September 30 and records that lump sum amount in SAP in order to ensure the City's receivable balance included in the Comprehensive Annual Financial Report (CAFR) is complete and accurate. Finance additionally discusses with the Library fiscal staff collectability projections on those receivables and based on historical collections creates a reserve for uncollectible accounts. These amounts are additionally recorded in SAP as a reduction against the receivable and related revenue posted. As the receivable balances and uncollectible analysis is conducted once a year for financial reporting purposes in SAP, Finance has not requested the Library department to reconcile or concern themselves with the balances reported in SAP to manage its customer receivables, rather Finance expected and Library continues to properly manage its receivables in Millennium. Finance agreed with the finding that the receivable balance recorded in SAP should have been coded to the Library business area as opposed to the Finance business area, and in FY2014 began reporting Library's receivables in that manner. Finance additionally modified its revenue analysis process within the past few years to adjust the revenues to only consider the subsequent collections of receivables at year-end that are collected within 60 days and deferred the remaining balance for future collections. This process effective FY2014 has been documented and communicated with Library fiscal staff. | | | | |

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| Recommendation | | | | | |
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| # | Description | Audit Report Page | Accept, Decline | Responsible Person's Name/Title | Completion Date |
| C1 | **Contract for Copy and Print Services**<br><br>The Library Director should:<br><br>• Maintain logs of monthly meter readings. The logs should be updated when the vendor collects and records the monthly meter readings. Perform a monthly reconciliation between the vendor's monthly usage reports and the meter reading logs. | 7 | Accept | Dale McNeil/Assistant Director & Kathleen Donellan/Assistant Director | April 2015 |
| | **Action plan:**<br><br>In response to the audit finding, the Library Department has developed, documented and implemented a process to maintain a log of meter readings and now performs a monthly reconciliation between the vendor's monthly usage reports and the meter reading logs. At the time the vendor takes meter readings, Library Staff is now obtaining meter readings. Staff is preparing a log of readings separate from vendor logs and submitting them to the Library's Fiscal Office for reconciliation against usage report. The Library Fiscal Office is now performing the monthly reconciliations. As discrepancies are identified they will be submitted to the vendor for immediate resolution. | | | | |
| C2 | **Contract for Copy and Print Services**<br><br>The Library Director should:<br><br>• Perform physical inventories of the copiers and printers located at the libraries. Ensure that the inventory count agrees to the inventory listed on the vendor's usage report. | 7 | | Dale McNeil/Assistant Director & Kathleen Donellan/Assistant Director | April 2015 |

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| Recommendation | | | | | |
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| # | Description | Audit Report Page | Accept, Decline | Responsible Person's Name/Title | Completion Date |
| | **Action plan:**<br><br>The Library Department has implemented a process to ensure that the physical inventories of the copiers and printers at Library locations agrees to the inventory listed on the vendor's usage report. Library staff has conducted an initial inventory and submitted to the Library Fiscal Office. No discrepancies were identified. Library locations will conduct a semi-annual inventory of copiers and printers and submit inventory to the Library Fiscal Office for reconciliation. Discrepancies will be submitted to the contractor for immediate correction. | | | | |

| Recommendation | | | | | |
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| # | Description | Audit Report Page | Accept, Decline | Responsible Person's Name/Title | Completion Date |
| D | **Contract for Library Room Rentals**<br><br>The Library Director should implement a formal room rental contract review process. Contracts should be tracked and tied back to the room rental event Outlook calendars, the Millennium system, and SAP. | 9 | | Kathleen Donellan Dale McNeill/Assistant Director | April 2015 |
| | **Action plan:**<br><br>A new manual process has been implemented to reconcile room rental contracts and room rental fees to address this audit finding. Library locations with meeting room venues will perform a weekly reconciliation of outlook reservation calendar to room rental contracts to room rental fees. Copies of contracts and Outlook calendar will be submitted along with the reconciliations to Library Fiscal Office on a weekly basis for review and approval. | | | | |

| Recommendation | | | | | |
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| # | Description | Audit Report Page | Accept, Decline | Responsible Person's Name/Title | Completion Date |
| E1 | **Adjustments/ Corrections to Patron Accounts**<br><br>The Library Director should:<br><br>• Implement controls to ensure that all refunds are properly approved and coded appropriately after the refunds have been processed in SAP. | 10 | Accept | Kathleen Donellan/Assistant Director | April 2015 |
| | **Action plan:**<br><br>The Library Department previously implemented a process to ensure that all refunds are properly approved and coded appropriately in SAP. In addition, based on the audit finding, all refunds will be reviewed on a monthly basis by the Library Fiscal Office. Refund processing documentation will be reviewed for proper approval and accuracy by someone else other than preparer to provide the recommended separation of duties. Corrections will be immediately processed. | | | | |
| E2 | **Adjustments/ Corrections to Patron Accounts**<br><br>The Library Director should:<br><br>• Implement controls to ensure that all adjustments/corrections are properly approved and an explanation of the adjustment is provided in the Millennium system. | 10 | | Kathleen Donellan/Assistant Director | April 2015 |

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| Recommendation | | | | | |
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| # | Description | Audit Report Page | Accept, Decline | Responsible Person's Name/Title | Completion Date |
| | **Action plan:**<br><br>The City's Library Department had previously implemented this recommendation. In addition, based on the audit finding, the Library Department has implemented additional processes to ensure that adjustments and corrections have been properly approved and justified in Millennium. A monthly report will be generated by the Library Fiscal Office to identify adjustment/correction without the proper justifications and submitted to the appropriate manager for resolution to ensure proper documentation on all adjustments and corrections. | | | | |
| F | **General IT Controls for the Millennium System**<br><br>The Library Director should strengthen security and access controls for the Millennium System and ensure compliance with the City's Administrative Directives implemented by the Information Technology Services Department. | 11 | Accept | Dale McNeil/Assistant Director & Kathleen Donellan/Assistant Director | Completed |

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| Recommendation | | | | | |
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| # | Description | Audit Report Page | Accept, Decline | Responsible Person's Name/Title | Completion Date |
| | **Action plan:**<br>The Library Department has begun to implement a two-step process to address this recommendation: 1. The creation of a password policy that more closely matches the City's current recommendation. 2. A formal, well-defined, documented and auditable process for the assigning and removing of accounts within Millennium.<br><br>The HR Business Relationship Partner will immediately notify Digital Services of any terminations and Millennium accounts will be deactivated within one business day. The manager of Organizational Health or her designee will notify Digital Services of new hires, promotions, suspensions, and separations (other than terminations) and Digital Services will make appropriate Millennium account changes within five business days. Digital Services will log account changes and will retain the appropriate records associated with the account changes.<br><br>As an additional verification to confirm all appropriate account management has occurred and accounts are up to date, Digital Services will conduct an annual check of all active Millennium Accounts. Digital Services will request from HR/Organization Health, a list of all staff currently employed by the Library. This will be compared to the list of staff that currently have accounts in Millennium. Any accounts not on the employment list will be deleted as well as any account whose last password date is more than 180 days old. | | | | |

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,

03-09-15

Ramiro Salazar — Date
Director
San Antonio Public Library

Troy Elliott, CPA — Date
Director
Finance Department

3/24/2015

Gloria Hurtado — Date
Assistant City Manager
City Manager's Office

3/24/15

Ben Gorzell, Jr., CPA — Date
Chief Financial Officer
City Manager's Office

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