SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

3 17

FROM: Auditor-Controller

SUBMITTAL DATE:
July 15, 2014

SUBJECT: Internal Audit Report: 2013-006 Riverside County Library System [All Districts] [$0]

RECOMMENDED MOTION: That the Board of Supervisors:
1. Receive and file Internal Audit Report: 2013-006 Riverside County Library System

BACKGROUND:
Summary

We have completed an audit of Riverside County Library System. The objective of the audit was to evaluate the effectiveness of internal controls over capital assets, cash handling and non-capital assets. We conducted the audit during the period November 27, 2012 through April 11, 2013 covering the period July 1, 2010 through December 31, 2012.

Paul Angulo, CPA, M.A.
County Auditor-Controller

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	$ 0.0	$ 0.0	$ 0.0	$ 0.0	Consent ☒ Policy ☐
NET COUNTY COST	$ 0.0	$ 0.0	$ 0.0	$ 0.0	

SOURCE OF FUNDS: N/A

Budget Adjustment: No

For Fiscal Year: n/a

C.E.O. RECOMMENDATION:

APPROVE

BY: _____
Karen L. Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

JUDepartmental Concurrence

Positions Added ☐
Change Order ☐
A-30 ☐
4/5 Vote ☐

Prev. Agn. Ref.: | **District: ALL** | **Agenda Number:**

2-12

SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

FORM 11: Country of Riverside Auditor-Controller's Office - Internal Audit Report: 2013-006: Riverside County Library System [District: All]; [$0]

DATE: July 15, 2014
PAGE: Page 2 of 2

BACKGROUND:
Summary (continued)

Based upon the results of our audit, we identified opportunities for improvement in internal controls over cash handling and non-capital assets. We determined the Riverside County Library System had adequate controls in place over capital assets.

Impact on Citizens and Businesses
Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:
Additional Fiscal Information
Not applicable

ATTACHMENTS:

A: County of Riverside Auditor-Controller's Office – Internal Audit Report 2013-006: Riverside County Library System

COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER

County Administrative Center
4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
(951) 955-3800
Fax (951) 955-3802

ACO | AUDITOR CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, M.A.
AUDITOR-CONTROLLER

July 15, 2014

Robert Field, Assistant County Executive Officer/EDA
Riverside County Library System
3403 10th Street, Suite 500
Riverside, CA 92501

Subject: **Internal Audit Report 2013-006: Riverside County Library System**

Dear Mr. Field:

The Internal Audit Division of the Auditor-Controller's Office has completed an audit of the Riverside County Library System. The audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over Capital Assets, Cash Handling and Non-Capital Assets. We conducted the audit during the period November 27, 2012 to April 11, 2013 covering the period July 1, 2010 through December 31, 2012.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require we plan and perform the audit to obtain reasonable assurance our objective as described in the preceding paragraph is achieved. The audit included examining, on a test basis, evidence about the department's compliance with the applicable government codes, regulations and resolutions, and performing such other procedures as we considered necessary in the circumstances. We believe the audit provides a reasonable basis for our conclusions.

Internal controls are processes designed to provide management reasonable assurance of achieving operational efficiency, compliance with laws and regulations, and reliability of financial and non-financial information. Management is responsible for establishing and maintaining adequate internal controls; our responsibility is to assess the adequacy of internal controls.

Based upon the results of our audit, we identified opportunities for improvement in the County Library's internal controls, especially the control environment, over cash and related accounts. The internal controls did not provide reasonable assurance that county operational and reporting objectives related to safeguarding of assets and reliable reporting, respectively, were met. Additionally, controls and reporting of Non-Capital assets require improvement. Capital assets were transferred properly upon the change of Department Head.

As requested, in accordance with paragraph IIC of the Board of Supervisors Resolution 83-338, management responded to each reported condition and recommendation contained in our

report. Management's responses are included in the report. We will follow-up in one year to verify that management implemented the corrective actions.

We thank the County of Riverside Economic Development Agency's County Library System management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, M.A.
County Auditor-Controller

Mark W. Cousineau

By: Mark Cousineau, CPA, CIA, CFE
    Chief Internal Auditor

Cc: Board of Supervisors
    Executive Office

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Internal Audit Report 2013-006

Riverside County Library System

Report Date: July 15, 2014

ACO | **AUDITOR**
CONTROLLER
COUNTY OF RIVERSIDE

Office of Paul Angulo, CPA, M.A.
County of Riverside Auditor-Controller
4080 Lemon Street, 11th Floor
Riverside, CA 92509
(951) 955-3800

www.auditorcontroller.org

Executive Summary

Overview

Riverside County Library System (County Library) is operated under the authority of the Economic Development Agency. Library Systems & Services Inc., (Library Systems) is the contractor engaged to conduct County Library operations in accordance with the terms of the contract and has had that responsibility since July 1, 1997 when there were 25 libraries. Currently, County Library has a budget totaling $4,916,490 with 35 branches and 2 bookmobiles. The latest contract was approved by Riverside County Board of Supervisor's January 29, 2013 and extends through June 30, 2016. EDA assumed County Library from the Riverside County Executive Office in Fiscal Year 2010/11. During Fiscal Year 2012/13, an interim County Librarian was appointed.

Library Systems staffs each of the library branches with a minimum of a Library Branch Manager, Library Technician, Library Assistant, Library Associates and/or Page assigned to perform a diversity of operational tasks such as cashiering, cataloguing, referencing, and programming (for adults and children). Library Systems utilizes the Polaris Integrated Library System (Polaris) software which coordinates, automates and integrates cataloging, circulation, acquisitions, serial controls, public assess catalog functions, and many third-party partners. Site level transaction reports issued through Polaris include circulation transactions, community room reservations, payment of fines, lost material fees and printings from public computers.

Library Systems utilizes Unique Management Services, Inc., a third party company for delinquent account collection services for County Library. Accounts are referred for collection action when the outstanding balance reaches $25 and Unique is paid $8.95 per account referred.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over Cash Handling, Capital Assets, and Non-Capital Assets.

Audit Conclusion

Based upon the results of our audit, we determined that the County Library's internal controls, especially the control environment, over cash and related accounts did not provide reasonable assurance that county operational and reporting objectives related to safeguarding of assets and reliable reporting, respectively, were met. Capital assets were transferred properly upon the change of Department Head.

Cash Handling

Background

The cash process originates at the library branches with the receipt of cash or other negotiable items for transactions related to lost material fees, late fines, print jobs, and community room rentals which are forwarded to the Library management office. The Polaris terminals allow library staff to input information related to various library services and print a receipt which is given to the library patron upon completion of the transaction.

The cash receipts are verified using the cash register transaction tape to identify overages/shortages; however no Polaris transaction reports are generated for comparison of the daily transactions. In some cases, cash receipts are confirmed by another library staff member the following day. If overages/shortages are identified, a Cash Overage/Shortage Daily Report (SPM Form AR-3) is completed, attached and forwarded with the supporting documentation to the Library management office via the Library System courier for deposit in the County Library's bank account.

At the library branches and the management office the cash receipts are locked in safes or file cabinets. The Library management office makes deposits on Monday, Wednesday and Friday.

As the governing agency for County Library, EDA receives a copy of the deposits made to the County Library's bank account and performs monthly statement reconciliations.

Detailed testing was performed on cash handling processes such as segregation of duties, security of deposits, timeliness of deposits and monthly reconciliations. We tested whether adequate internal controls exist over cash handling through observations, interviews and analysis of completed transactions for the following library branch locations: Cathedral City, Lake Elsinore, La Quinta, Perris, San Jacinto, Sun City and Woodcrest.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the cash handling process.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies, applicable laws, codes, regulations, and board ordinances.

- Conducted interviews and performed walkthroughs with department personnel.

- Obtained and analyzed department policies and other documents to obtain an understanding of the County Library and Library System operations.

- Utilized PeopleSoft and Simpler Financials to pull queries in order to identify the volume, and number of cash receipts.

- Analyzed deposits made during audit period to ensure accuracy and accountability.

- Selected sample deposit dates to perform detailed testing.

- Conducted observation of operations.

- Verified appropriate levels of management review and approval.

- Verified the safeguarding of cash.

Audit Results

County Library's internal controls, especially the control environment, over cash and related accounts did not provide reasonable assurance that county operational and reporting objectives related to safeguarding of assets and reliable reporting, respectfully, were met.

Finding 1: Safeguarding of Assets

Segregation of Duties

Separating approval, custody, and reporting functions makes it difficult for one individual to perpetrate and conceal fraud, errors, or omissions. We observed multiple locations where one individual was assigned multiple or all these duties.

- Multiple individuals commingling their cashiering transactions in a single cash drawer.
- Dual custody and chain of custody procedures were absent in three of seven libraries during the count of daily cash receipts.
- Cashiering staff had access to the safe or file cabinet key.
- Performing, reviewing, and approving reconciliations of cash transactions or balances or both.

Segregation of duties reduces the likelihood of theft or loss of county funds and increases individual accountability.

Reconciliations

Cash transactions require a series of reconciliations to ensure the prompt detection of fraud and errors. Reconciliations were not performed or were late, precluding prompt detection and correction of fraud and errors.

- Cashier reconciliations were not possible because multiple cashiers use the same cash drawer.

- Cash receipts from cashiers are not reconciled to site level transaction reports.
- Daily bank deposits not reconciled to daily site's receipts total.
- Bank deposit slips not reconciled to bank statement in a timely manner.
- Monthly bank reconciliations untimely for two of the three months reviewed
- Cash register transaction tapes and balancing reports not reconciled.
- Co-mingling of County and Foundation funds

A reconciliation process is essential to detect and defer theft or loss of County funds

Cash Receipts Security

Cash was left unsecured at branches, during transport, and at the County Library management office.

- Staff transported cash in unsealed envelopes from branches to the County Library main office.
- Cash was left in an open cabinet in an unlocked room with the door ajar while staff performed library circulation tasks.
- A key to the file cabinet used to secure cash receipts and photocopier cash box was accessible by all site staff.
- A cash security key was kept in an unlocked drawer in a common area accessible to all library staff.
- Library branch deposits were left unsecured in a mail courier container after delivery to the Library management office.
- Libraries were not immediately restrictively endorsing checks received.

Failure to ensure cash is properly secured may result in theft or loss of County Funds.

Timeliness of Deposits

Library Management did not ensure either the timely transport or deposit of monies received in accordance with Auditor-Controller Standard Practice Manual Policy 705 (SPM 705). This policy requires same business day deposit of collected monies.

- 71% (42 of 59) of the daily receipts were deposited late from October 1, 2012 through December 31, 2012.
- LibraryManagement did not require or enforce timely submission of branch receipts to the County Library management office.

The opportunity for theft or other loss increases when deposits are not made in a timely manner.

The opportunity for theft or other loss increases when deposits are not made in a timely manner.

Management position concerning the finding: Concur

Comments:

The County Free Library System currently consists of 35 libraries and 2 bookmobiles providing services across the county. The staffing and daily operations of this large division have been contracted out to Library Services System, Inc. (LSSI), who has handled this enormous task for the past 17 years. EDA began its administrative oversight of the County Free Library System in July 2009. From this time, EDA has worked to identify significant systemic problems in the Library System and bring all operational areas into compliance with County policy. EDA concurs that the areas identified by this internal audit were difficulties that needed attention and correction. Many of these areas have been corrected through a cooperative effort with LSSI and their Library Management Office (LMO) while creating a new vision and positive working relationship. Both EDA and LSSI have worked to make improvements while keeping in mind operational efficiency, cost effectiveness, and excellent customer service.

Recommendation 1.1

County Library conduct training for all staff on basic cash handling procedures and ensure key duties are properly segregated at all County Library locations.

Management position concerning the finding: Concur

Comments:

LSSI had existing Cash handling Procedures for the branch locations, which EDA has updated to ensure a better separation of duties and security of revenues. In June 2013, LSSI tested the new procedures at three library branches, Calimesa, Grace Mellman, and Palm Desert who began using these procedures as a test pilot. Procedures were then revised in October 2013 with branch input and EDA conducted training in April 2014 with staff representing each branch in attendance. LMO will ensure procedures are to be provided and reviewed withal new LSSI staff and training will be conducted by LSSI Circulation Managers/Branch Managers no less than annually. LSSI uses the Polaris database to track all books and each employee has a separate log in to track their individual transactions. While purchasing multiple cash registers for separate cashier access is not cost feasible, procedures now require individual cashers to either initial their transaction on the cash register detail tape, or keep a separate log of each transaction with their initials. In addition, all cash receipts are to be counted and verified by two library staff at the end of each shift and deposits are prepared in dual custody by separate staff the following morning. Procedures for the LSSI administrative Management Office (LMO) in Rubidoux have been updated and trained conducted with LMO staff in May 2013. New procedures require all deposits received via courier to be opened and verified individual custody. EDA staff has implemented a new procedure for EDA staff to review deposit back upon receipt to ensure there are multiple staff verification signatures for the branches and LMO.

Recommendation 1.2

County Library ensure daily cash receipt and monthly bank statement reconciliations are performed.

Management position concerning the finding: Concur

Comments:

EDA experienced a processing delay with staffing turnover and has readjusted workloads to ensure the revenue reconciliations are done monthly. Deposit back up submitted to EDA now include a copy of their Daily Cash Transactions reports and copies of the cash register z tape. The reconciliation compares the Union Bank statement, the PeopleSoft Financials, and the revenue worksheet received from LSSI to ensure all daily cash receipts are deposited to the bank. Reconciliations in all areas are reviewed by the EDA Principal Accountant to ensure accurate tracking of revenues. Customized Polaris reports have been requested from LSSI which will be further integrated into the reconciliation process of daily receipts. In addition, EDA has ensured that Library Foundation funds being deposited through PayPal have been separated from all County funds.

Recommendation 1.3

County Library ensure all monies are secured and only accessible by key library personnel.

Management position concerning the finding: Concur

Comments:

EDA has initiated the use of tamper proof deposit bags for the library branches to use during the courier process to LMO to better secure money. The daily deposit paperwork is faxed to the LMO staff to ensure all deposits being picked up do arrive at the LMO. In addition, EDA has purchased a safe for LMO to ensure all revenues are kept safe. The branch location cash handling issues have been addressed in the updated procedures and discussed at all branch training.

Recommendation 1.4

County Library ensure cash receipts are deposited on a daily basis or request an exemption from the Auditor-controller's Office.

Management position concerning the finding: Concur

Comments:

EDA reviewed the deposits being made by LSSI and found that the dates of submission and amounts submitted were inconsistent with both LSSI Cash Procedures and County policy. To

correct this, the revised library branch procedures require all revenues over $25.00 to be couriered to LMO. As some branches are quite small and only receive daily revenues under $10.00, EDA will be requested an exemption from the ACO to only submit these deposits once they total $25.00. This exemption is expected to both protect library revenues from possible theft or loss and create the most cost efficiency for library staff. The revised LMO procedures require all revenues received via courier be deposited on a daily basis with no exemption. EDA has created deposit worksheets to verify the timeliness of branch deposit submission that are over $25.00 and daily deposits submitted by LMO into EDA's Union Bank account.

Recommendation 1.5

County Library and EDA management conduct monitoring of Library System cash handling to ensure compliance with the procedures.

Management position concerning the finding: Concur

Comments:

A system for monitoring and site visit testing will be developed by both LSSI and EDA by December 31, 2014 and added to the current Cash Handling Procedures.

Non-Capital Assets

Background

Board of Supervisor's Policy H-26, non-capitalized assets which are small, mobile, easily converted for personal use and have a fair market value of at least $200 are classified as "walk-away assets". Examples include but are not limited to laptops computers, personal digital assistants (PDA) global positioning system (GPS) receivers and cellular phones.

Each department should ensure compliance with this policy by tracking walk away assets using the county's Asset Management Module. At a minimum, departments will track all laptops computers, cellular phones, PDAs and GPS receivers. Departments may use another established system to ensure the accountability of non-fixed assets if the department's system have been reviewed and approved by the Auditor-Controller. No other system exception applies.

Standard Practice Manual 903 states, the Auditor-Controller will assign an asset identification number and issue a corresponding tag. The Auditor-Controller will enter the asset identification number in the online system at the time of review. The asset number will be forwarded to the department who will then properly affix these tags to the new asset.

The Economic Development Agency utilized the Asset Module as well as an excel spreadsheet to track non-capitalized assets. This excel report was updated during December, 2012, when an inventory of the assets was conducted by EDA.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over non-capital assets.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies, applicable laws, codes, regulations, and board ordinances.

- Conducted interviews and performed walk-throughs with agency personnel.

- Utilized PeopleSoft queries to identify the quantity, locations, and non-capitalized asset movement.

- Selected sample invoices of non-capital asset transactions to perform detailed testing.

- Verified the safeguarding and inventory of non-capital assets.

Finding 2: Non-Capital Assets Not Reported Properly

The Asset Module does not include all County Library non-capitalized assets. This occurred because EDA was not reporting all acquisitions to the Auditor-Controller though physical inventories were conducted. In comparing a sample of invoices for non-fixed assets purchased, to the inventory spreadsheet provided by EDA, it was noted that 235 items could not be traced to the inventory report. For many items, we had no way to compare or trace the items on the invoices to the inventory report. Furthermore, the serial numbers for 11 (44%) out of 25 items identified on these invoices could not be traced to the inventory report.

Further, during our fieldwork, we identified the following:

- Four items with valid serial numbers duplicated on the inventory list. These duplicates had different asset tag numbers but the same description and serial number on the inventory list;
- Two items with the same serial number in the inventory record were assigned to two different libraries. Many of the asset tag numbers did not reconcile to the Asset Module.

We were unable to trace 235 items valued at $29,003.07, (21%) of the $138,184 non-capital assets identified on the invoices, to the inventory record. EDA is currently reviewing the inventory report and plans to reconcile the assets at the libraries to the Asset Module.

EDA Information Technology assigned staff to perform the inventory and tag all non-capital assets identified as property of County Library. This task was completed December 2012 utilizing an Excel spreadsheet, which we noted was formulated to round down the last three digits of the serial number, resulting in duplicated serial numbers on the inventory spreadsheet. The discrepancies in the inventory misrepresent the asset inventory value. It can also lead to misappropriation of the assets.

Management position concerning the finding: Concur

Comments:

Prior to EDA's administrative oversight of the Library Systems, there was no non-capital asset tracking system in place. EDA agrees that the reporting of non-capital assets was an area that needed improvement. LSSI has an Information Technology division responsible to maintain the Library equipment for repair and inventory. An asset listing was received from LSSI and EDA IT staff conducted the first physical inventory in FY 10/11 leading to approximately 1,000 pieces of equipment added to the PeopleSoft system in June 2011. During the inventory EDA also discovered that many of the non-capital assets did not have Riverside County Asset tags, so tags were added to the equipment at the same time. While this area needs ongoing attentions to ensure assets are accurately tracked and reported, EDA has identified these problems and has already invested a great amount of staffing time to being this area into compliance with County policy. EDA is dedicated to dinging a cost effective solution to this large asset tracking responsibility.

Recommendation 2.1:

Conduct a new inventory of all non-capital assets to ensure that all items are accounted for and properly tagged.

Management position concerning the finding: Concur

Comments:

EDA hired a part time TAP staff that began a physical inventory on April 15, 2014. Any assets without asset tags are having tags added during the inventory. Once this inventory is complete, all items with updated in the PeopleSoft system by December 31, 2014.
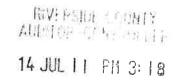
Recommendation 2.2:

The inventory should be reconciled to the PeopleSoft Asset Module and updated at least once per year.

Management position concerning the finding: Concur

Comments:

EDA currently uses a database to track all Library assets and will conduct a reconciliation of non-capital assets from EDA database to PeopleSoft annually ensuring all newly acquired assets input all surplused assets are removed. EDA and LSSI are working on a solution to better track the location of computer assets by using the Spiceworks software which will automatically update the location of items that are connected to the internet. While this will not track printers and monitors, this does help provide a solution to the location of actual computer equipment that must be moved from one branch to another. EDA is also working to write asset management procedures for both EDA and LSSI to efficiently track assets.

DATE: June 30, 2014

TO: Auditor-Controller's Office
            Internal Audit Division

FROM: Robert Field, Assistant CEO/EDA
            Riverside County Library System

SUBJECT: Reply to Internal Audit Report 2013-006: Riverside County Library System

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Finding 1: Safeguarding of Assets

Segregation of Duties

Separating approval, custody, and reporting functions makes it difficult for one individual to perpetrate and conceal fraud, errors, or omissions. We observed multiple locations where one individual was assigned multiple or all these duties.

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- Performing, reviewing, and approving reconciliations of cash transactions or balances or both.

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Timeliness of Deposits

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- Library Management did not require or enforce timely submission of branch receipts to the County Library management office.

The opportunity for theft or other loss increases when deposits are not made in a timely manner.

Management position concerning the finding: Concur

Comments:

The County Free Library System currently consists of 35 libraries and 2 bookmobiles providing services across the county. The staffing and daily operations of this large division have been contracted out to Library Services Systems, Inc. (LSSI), who has handled this enormous task for the past 17 years. EDA began its administrative oversight of the County Free Library System in July 2009. From this time, EDA has worked to identify significant systemic problems in the Library System and bring all operational areas into compliance with County policy. EDA concurs that the areas identified by this internal audit were difficulties that needed attention and correction. Many of these areas have been corrected through a cooperative effort with LSSI and their Library Management Office (LMO) while creating a new vision and positive working relationship. Both EDA and LSSI have worked to make improvements while keeping in mind operational efficiency, cost effectiveness, and excellent customer service.

Recommendation 1.1:

County Library conduct training for all staff on basic cash handling procedures and ensure key duties are properly segregated at all County Library locations.

Management position concerning the recommendation: Concur

Comments:

LSSI had existing Cash Handling Procedures for the branch locations, which EDA has updated to ensure a better separation of duties and security of revenues. In June 2013, LSSI tested the new procedures at three library branches, Calimesa, Grace Mellman, and Palm Desert who began using these procedures as a test pilot. Procedures were then revised in October 2013 with branch input and EDA conducted training in April 2014 with staff representing each branch in attendance. LMO will ensure procedures are to be provided and reviewed with all new LSSI staff and training will be conducted by LSSI Circulation Managers / Branch Managers no less than annually. LSSI uses the Polaris database to track all books and each employee has a separate log in to track their individual transactions. While purchasing multiple cash registers for separate cashier access is not cost feasible, procedures now require individual cashiers to either initial their transaction on the cash register detail tape, or keep a separate log of each transaction with their initials. In addition, all cash receipts are to be counted and verified by two library staff at the end of each shift and deposits are prepared in dual custody by separate staff the following morning. Procedures for the LSSI administrative Library Management Office (LMO) in Rubidoux have been updated and training conducted with LMO staff in May 2013. New procedures require all deposits received via courier to be opened and verified in dual custody. EDA staff has implemented a new procedure for EDA staff to review deposit back upon receipt to ensure there are multiple staff verification signatures for the branches and LMO.

Recommendation 1.2:

County Library ensure daily cash receipt and monthly bank statement reconciliations are performed.

Management position concerning the recommendation: Concur

Comments:

EDA experienced a processing delay with staffing turnover and has readjusted workloads to ensure the revenue reconciliations are done monthly. Deposit back up submitted to EDA now include a copy of their Daily Cash Transactions reports and copies of the cash register z tape. The reconciliation compares the Union Bank statement, the PeopleSoft Financials, and the revenue worksheet received from LSSI to ensure all daily cash receipts are deposited to the bank. Reconciliations in all areas are reviewed by the EDA Principal Accountant to ensure accurate tracking of revenues. Customized Polaris reports have been requested from LSSI which will be further integrated into the reconciliation process of daily receipts. In addition, EDA has ensured that Library Foundation funds being deposited through PayPal have been separated from all County funds.

Recommendation 1.3:

County Library ensure all monies are secured and only accessible by key library personnel.

Management position concerning the recommendation: Concur
Comments:

EDA has initiated the use of tamper proof deposit bags for the library branches to use during the courier process to LMO to better secure money. The daily deposit paperwork is faxed to the LMO staff to ensure all deposits being picked up do arrive at the LMO. In addition, EDA has purchased a safe for LMO to ensure all revenues are kept secure. The branch location cash handling issues have been addressed in the updated procedures and discussed at the all branch training.

Recommendation 1.4:

County Library ensure cash receipts are deposited on a daily basis or request an exemption from the Auditor-Controller's Office.

Management position concerning the recommendation: Concur

Comments:

EDA reviewed the deposits being made by LSSI and found that the dates of submission and amounts submitted were inconsistent with both LSSI Cash Procedures and County policy. To correct this, the revised library branch procedures require all revenues over $25.00 to be couriered to LMO. As some branches are quite small and only receive daily revenues under $10.00, EDA will be requesting an exemption from the ACO to only submit these deposits once they total $25.00. This exemption is expected to both protect library revenues from possible theft or loss and create the most cost efficiency for library staff. The revised LMO procedures require all revenues received via courier be deposited on a daily basis with no exemption. EDA has created deposit worksheets to verify the timeliness of branch deposit submissions that are over $25 and daily deposits submitted by LMO into EDA's Union Bank account.

Recommendation 1.5:

County Library and EDA management conduct monitoring of Library System cash handling to ensure compliance with the procedures.

Management position concerning the recommendation: Concur

Comments:

A system for monitoring and site visit testing will be developed by both LSSI and EDA by December 31, 2014 and added to the current Cash Handling Procedures.

Finding 2: Non-Capital Assets Not Reported Properly.

The Asset Module does not include all County Library non-capitalized assets. This occurred because EDA was not reporting all acquisitions to the Auditor-Controller though physical inventories were conducted. In comparing a sample of invoices for non-fixed assets purchased, to the inventory spreadsheet provided by EDA, it was noted that 235 items could not be traced to the inventory report. For many items, we had no way to compare or trace the items on the invoices to the inventory report. Furthermore, the serial numbers for 11 (44%) out of 25 items identified on these invoices could not be traced to the inventory report.

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- Two items with the same serial number in the inventory record were assigned to two different libraries. Many of the asset tag numbers did not reconcile to the Asset Module.

We were unable to trace 235 items valued at $29,003.07, (21%) of the $138,184 non-capital assets identified on the invoices, to the inventory record. EDA is currently reviewing the inventory report and plans to reconcile the assets at the libraries to the Asset Module.

EDA Information Technology assigned staff to perform the inventory and tag all non-capital assets identified as property of County Library. This task was completed December 2012 utilizing an Excel spreadsheet, which we noted was formulated to round down the last three digits of the serial number, resulting in duplicated serial numbers on the inventory spreadsheet. The discrepancies in the inventory misrepresent the asset inventory value. It can also lead to misappropriation of the assets.

Management position concerning the finding: Concur

Comments:

Prior to EDA's administrative oversight of the Library Systems, there was no non-capital asset tracking system in place. EDA agrees that the reporting of non-capital assets was an area that needed improvement. LSSI has an Information Technology division responsible to maintain the Library equipment for repair and inventory. An asset listing was received from LSSI and EDA IT staff conducted the first physical inventory in FY10/11 leading to approximately 1,000 pieces of equipment added to the PeopleSoft system in June 2011. During the inventory EDA also discovered that many of the non-capital assets did not have Riverside County Asset tags, so tags were added to the equipment at the same time. While this area needs ongoing attention to ensure assets are accurately tracked and reported, EDA has identified these problems and has already invested a great amount of staffing time to bring this area into compliance with County policy. EDA is dedicated to finding a cost effective solution to this large asset tracking responsibility.

Recommendation 2.1:

Conduct a new inventory of all non-capital assets to ensure that all items are accounted for and properly tagged.

Management position concerning the recommendation: Concur

Comments:

EDA hired a part time TAP staff that began a physical inventory on April 15th, 2014. Any assets without asset tags are having tags added during the inventory. Once this inventory is complete, all items will be updated in the PeopleSoft system by December 31, 2014.

Recommendation 2.2:

The inventory should be reconciled to the PeopleSoft Asset Module and updated at least once per year.

Management position concerning the recommendation: Concur

Comments:

EDA currently uses a database to track all Library assets and will conduct a reconciliation of non-capital assets from the EDA database to PeopleSoft annually ensuring all newly acquired assets are input and all surplused assets are removed. EDA and LSSI are working on a solution to better track the location of computer assets by using the Spiceworks software which will automatically update the location of items that are connected to the internet. While this will not track printers and monitors, this does help provide a solution to the location of actual computer equipment that must be moved from one branch to another. EDA is also working to write asset management procedures for both EDA and LSSI to efficiently track assets.