
BOARD OF COUNTY COMMISSIONERS

**LIBRARY SERVICES DEPARTMENT
CASH RECEIPTS & COLLECTION MAINTENANCE
OPERATIONS FOLLOW-UP AUDIT**

DECEMBER 23, 2003

HERNANDO COUNTY CLERK OF CIRCUIT COURT

AUDIT SERVICES DEPARTMENT

MEMORANDUM

TO: Barbara Shiflett, Library Services Director

VIA: Karen Nicolai, CPA, Clerk of Circuit Court
Richard "Dick" Radacky, County Administrator

FROM: Peggy Prentice, CIA, CISA, Audit Services Manager

DATE: December 23, 2003

SUBJECT: Library Services Department - Cash Receipts & Materials Collection Operations
Follow-Up Audit

The Audit Services Department's (ASD) Audit Projects Schedule included a follow-up to the Library Services Department's Cash Receipts and Materials Collection Operations Audit, issued September 24, 2001. Based upon management's response and corrective action, ASD has produced the attached Follow-Up Report for your review. The attached report contains a summary of the initial recommendation, management's response, and follow-up recommendation, as applicable, for each of the original report comments.

A copy of the report has been forwarded, via Richard Radacky, to the Board of County Commissioners as an agenda "correspondence to note" item.

I would like to take this opportunity to extend my appreciation to Library Services management and staff for the courteous treatment extended to the ASD during this follow-up process.

If you have any questions, concerns, or need additional information in regard to the above or the attached report, please do not hesitate to contact me at (352)540-6235 (internal extension #72384), or just stop by my office.

ATTACHMENT

Library Services Department - Operations Follow-Up Audit

copy: CLERK OF CIRCUIT COURT:

Karen Nicolai, CPA, Clerk of Circuit Court
Amy Gillis, CPA, Finance Director

BOARD OF COUNTY COMMISSION:

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Commissioner Hannah “Nancy” M. Robinson
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George Zoettlein, Office of Management and Budget Director

OTHER:

Chip Jones, KPMG
Hernando Today
St. Petersburg Times - Hernando Edition
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Hernando County Public Library

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ACKNOWLEDGMENT

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Other minor findings, not included in this report, have been communicated to management and/or corrected during the audit process. We thank the management and staff for their cooperation throughout the audit.

Fieldwork was performed by:

Peggy Prentice, CIA, CISA, Audit Services Manager
Barbara Fichter, Internal Auditor

The management responses were provided by Nancy Lovelock, Assistant Library Services Director, and authorized by:

Barbara Shiflett, Library Services Director, and
George Roussos, Deputy County Administrator.

This audit report was reviewed and authorized by Karen Nicolai, CPA, Clerk of the Circuit Court, on December 17, 2003.

PURPOSE AND SCOPE

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PURPOSE:

Address the operational and cash controls implemented as a result of audit recommendations issued in the report dated September 24, 2001. In May 2002, the Library Services Department converted to its current database system. The ASD, therefore, expanded the scope, to a limited degree, to address the recent conversion and the effect on the Department's operational and/or cash controls (see Scope Limitations below).

SCOPE:

ASD addressed:

1. management's response to ASD' recommendations to determine if management implemented corrective actions which effectively address the original findings and recommendations;
2. the Department's corrective actions and determined if the corrective actions were implemented timely (partially or fully), and as stated in management's responses. The corrective actions were evaluated under current conditions. A determination was made regarding any corrective action that may still be needed to address the concern; and
3. the Department's actions in terms of the new database system (see Scope Limitations below).

SCOPE LIMITATIONS:

During fieldwork, network server administration responsibility was transferred from Technology Services to Library Services. ASD conducted very limited interviews. No testing was performed. The security of data transmitted between the Library and the County systems was not addressed. Only the following was discussed with management and staff:

1. the Library's justification for considering the transfer of network administration;
2. the Library's basic network administration functions;
3. the Library's basic physical hardware security and environmental controls;
4. the safeguarding of the Library's data and database software.

Interviews and observations were conducted regarding operational and cash controls as they relate to the Library's database software.

BACKGROUND

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Demographics

There are four library branches and two satellite locations in Hernando County. Two new branches are in the planning stage which will replace two of the smaller branches.

To provide adequate library services, the Library offers a variety of resources which include books and periodicals on a variety of medium and interlibrary loans. Since September 2001, the Library expanded its circulation to include back issues of magazines. Patrons also have access to word processors, typewriters, photocopiers, microfilm/microfiche reader-printers, audio/visual equipment, video cassettes, filmstrips, audio cassette tapes, and 49 personal computers. Personal computers provide access to the online catalog, Internet, and Microsoft's Office Suite and Reference Series.

Since September 2001, the collection/circulation database was converted twice. First to TAOS, and then to the currently-used Unicorn Workflows (Unicorn). Unicorn is used to manage cataloging, circulation, and collection inventory transactions. Unicorn bridges collection inventory data directly to the online catalog.

The Collection / Materials Inventory

Since September 2001, the Library's collection decreased from approximately 228,000 to 214,000 materials. Per management, the decrease is attributed to a clean-up of the physical and database record inventories prior to converting to Unicorn.

Approximately 75% of collection materials are shopped/ordered from one vendor's website. Prior to these materials' arrival, the inventory (catalog) record is created electronically, whereas, an outsourced catalog service is used for manually-ordered collection materials. Once materials are received, they are manually processed, catalogued and shelved, which makes them ready for patron use. The collection inventory is controlled by bar codes and security strips which are affixed to each item.

In September 2001, the Library leased collection materials. This practice was discontinued in July 2003.

Maintaining an up-to-date collection is an ongoing process. Generally, new materials are selected per patron request, popular demand, best-seller lists, and vendor recommendations. Materials remain in the collection until they are missing or weeded. Weeding is the process of removing outdated, seldom-circulated, and/or damaged materials from the collection. This process creates shelf space for new materials. Since September 2001, the Library implemented procedures whereby inventory (life-cycle) reports are generated in Unicorn. The Library also created circulation and weeding guidelines. When a material is selected for weeding, staff removes the item from the shelf. The material's inventory record is either updated with the appropriate status code within Unicorn, or removed from

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the system. A staff member determines if the weeded material should be replaced, and if so, another copy of this material, or a similar one, is purchased.

On a weekly basis, a report of materials codes as “missing” is generated through Unicorn. Staff checks library shelves for the missing materials, and as appropriate, cross-checks are performed between branches. If the material is not located, its inventory record is updated with the appropriate status code within Unicorn, or removed from the system. A determination is then made as to whether the material should be replaced.

Gate Controls / Physical Safeguarding

All collection materials purchased since 1996 should include a security strip. The strip is activated (armed) when materials are shelved and unarmed when materials are checked-out. The security strip should work congruently with the pass-through security gate systems (located at the Main Library and West Hernando branch) when the armed material is passed through a security gate.

The security gates are deemed obsolete, and the vendor that provides technical support will discontinue support services in the immediate future. As per management, it is not feasible to replace the gates at this time, due to replacement cost. However, consideration has been given to installing compatible automated security systems in the new branches.

Information System / Automation

Unicorn is a web-based database system. Each material within Unicorn has a bibliographic (catalog) and holding (inventory) record. Together, they are used to track materials throughout their life cycle and provide online information for the public catalog. Generally, records are updated by scanning either the patron’s library card and/or the material’s bar code.

A material that is checked-out to a patron is recorded in that patron’s record. If a patron indicates that a checked-out material was returned, and the Library’s records disagree, Library staff attempt to locate the material in the collection. If the material is not found, that material’s holding record is coded as “missing.” Through automated security controls, only authorized personnel should be able to change or delete a holding record.

Patron Records

Bar coded library cards are issued to patrons. To obtain a card, the patron must complete an application. The information obtained from the application is used to create the patron’s Unicorn record. Proof of identification and residency is required. Patrons from a member library of the Tampa Bay Library Consortium’s Reciprocal Borrowing Agreement may also register to check-out materials. A patron’s record can be accessed by scanning the patron’s library card or searching Unicorn via the patron’s name.

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The Check Out/Return Process

Generally, the patron's library card must be submitted to circulation staff before checking-out a material. The library card and the material's bar code are scanned, and the patron is provided an automated receipt denoting the material's due date. At two Library sites (Main Library and West Hernando branch), the check-out process also includes unarming the security strip.

Unicorn has the ability to check-in multiple materials in one batch session. When a material is returned to the Library, the material's bar code is scanned and the security strip is activated (armed). Unicorn updates the holding and patron records simultaneously. The material is shelved, making the material available for circulation. Generally, any material returned to a branch other than the branch of record is sorted for inter-library courier service and shipped to the designated branch.

The Library charges patrons for overdue, lost or damaged collection materials. Patrons are fined \$1.00 per day for overdue materials such as videos or compact discs and \$0.10 per day for all other materials. The Library has penalty limitations. Patrons are charged the replacement cost of any lost or damaged material. The replacement cost is generally obtained from the vendor. Outstanding fines and fees are tracked through Unicorn. When patrons submit payment, staff members enter the amount received into Unicorn and the cash register. A receipt is printed from Unicorn and given to the patron.

As per the Library's fine-waiver policy, circulation staff are authorized to waive up to \$5.00 in fines for any one patron. Amounts greater than \$5.00 require supervisory-level approval. Waived fines are tracked in Unicorn and are coded as "forgiven." A receipt showing the waived fine amount is printed from Unicorn, and signed/dated by the staff member who waived the fine. A reason for the waiver is written on the receipt. The receipt is retained by the branch. Supervisors are required to review the fines waived by staff members, but fee-waiver summary reports are not prepared by all branches.

Unicorn is not used to reconcile cash receipts. Rather, supervisory-level staff count the cash drawer at the end of each day and compare it to the cash register summary tape. The tape summarizes cash receipts by type. The summary totals are manually recorded onto a Daily Monies Report form. Daily receipts are stored in a locked receptacle until deposited. Monies are deposited into a banking facility several times each week.

Miscellaneous Cash Receipts

The general public, including patrons, occasionally submit cash donations. Cash donations are recorded in the cash register, on Daily Payer Sheets (logs), and Monthly Money Reports. Staff provide persons/businesses who donate \$5 or more with a handwritten receipt. The donor is asked to complete a gift donation form that includes the donor's information and the purpose for the donation. The Library uses this form to acknowledge the gift and process the donor's request.

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Coin-Operated Machines (for Patron's Use)

In September 2001, the Main Library branch had a change machine and a coin-operated copier. Since the copier did not accept bills, the change machine provided patrons with coins. Per management, in the summer of 2002 the change machine was stolen. An immaterial amount of cash was in the machine. A police report was filed. The Library did not replace the change machine, but the copier was replaced with one that accepts both coins and bills. Similar copiers are housed at the West Hernando and the Little Red branches. A change bank is housed within each copier and maintained by the vendor. Library staff do not have access to the change banks. However, staff has access to the copier's cash proceeds which are entered into the cash register and subsequently deposited. During FY 2002/03, the Library recorded collections of more than \$9,000 in copy machine revenue.

Policies and Procedures

The Library's operational policies and procedures manuals are available to staff. Some of these policies and procedures were created after September 2001, while others were enhanced.

**COMMENTS, RECOMMENDATIONS AND
MANAGEMENT'S RESPONSES**

THE COLLECTION MATERIALS INVENTORY

Original Comment - September 2001: When purchased and/or leased collection materials are received, the materials are not adequately compared to the corresponding shipping ticket, purchase order, and invoice. This process does not ensure that the materials received were ordered, received, and invoiced completely and accurately. Large orders of materials are sometimes shipped to the Library in several shipments (partial orders) over a period of time. Staff members track open orders manually by checking off line items on order lists as they are received.

The vendor of the leased materials (lessor) provides the Library with a Monthly Customer Inventory Report which includes an account summary (beginning balance, shipments, ending balance) and a detailed list of the materials that are leased to the Library. The Library does not reconcile their records to this account summary. Since the inception of the lease (in 1999), the Library has returned one shipment of materials (in May 2001) to the lessor. As of June 29, 2001, the lessor's records did not indicate receipt of these materials. The Library did not retain adequate support documentation to show proof of the shipment or of the specific materials returned.

Recommendation - September 2001: To ensure that shipments are accurate and complete, consideration should be given to comparing incoming shipments of materials (title and quantity) to supporting documents (shipping ticket, purchase order and invoice). Consideration should be given to automating the process of tracking open orders. Further, to ensure that the title and number of copies received agrees with the lessor's records, the Library should reconcile their records to the Monthly Customer Inventory Report prepared by the lessor. If a discrepancy is identified, the lessor should be notified and corrective action should be taken.

When materials are returned to the lessor, a packing list should be created, verified and sent with the shipment. A copy of the packing list and proof of the shipment should be maintained in the Library's records along with a confirmation of receipt of the shipment from the vendor. Ideally, the shipment should be recorded electronically in the Library's database so that there is an electronic record of the status of the materials.

Management's Response - September 2001: We already have in place a method that compares incoming shipments of materials to supporting documents. Each shipment arrives with a packing list. Every item is checked against the packing list. The packing list is compared and checked to the invoice received. No materials are unpacked without this verification. This also includes our Lease Program.

Each quarter, Baker & Taylor sends us a full list of the titles and quantities currently on our lease account. After talking with the auditors our process is now as follows: We will make a copy of the title list and mark off each title we are returning. When we have finished, this will be dated, and if Baker & Taylor wants a copy, it will be included with the books returned. We will keep a dated copy with our records, which will include the shipping information.

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The automation of this process would be time consuming. A representative from Baker & Taylor has been contacted, and he informed us they currently have no on-line option to record shipping status. The only other way we could think to do this would be to create a spreadsheet, which would be time consuming and current staff levels could not adequately incorporate this work load. We already have access to the information in a report sent to us and the collection changes rather frequently.

With the Taos system we are upgrading to, there will be an Acquisitions Module which aids in collection development, but DRA hasn't finished developing it. There may be a way to track books more thoroughly on the new system, and that is something we will look at once it becomes available.

Management's Response - August 2003: When materials arrive at the library, staff compares the packing slip to the items received. If there are any discrepancies, appropriate staff is alerted and the company is asked to rectify the problem. This practice has been in place for many years resulting in only materials received being paid for.

Baker & Taylor now has in place a method for tracking open orders. This service is free, which allows us to know which items are filled, back ordered, shipped or canceled. The Collection Management Librarian utilizes this service on a weekly basis resulting in the ability to track orders.

We are no longer participating in the Baker & Taylor lease program; therefore this is no longer an issue. The Library Department has canceled the lease program, effective July 2003. All records were reconciled at the close of the program. Items were returned or kept and paid for by the Library.

Follow-Up Comment A - December 2003: The receiving process is manual. Based upon observation, it appears that staff duplicate efforts by unnecessarily utilizing three source documents [purchase order (website order list versus County form), packing list, and invoice] as the basis for ensuring shipment accuracy. The employee responsible for receiving shipments of incoming materials, reconciles each line item on each of these three documents to each material received. Since the packing list and invoice are sent with the shipped materials and these two documents are significantly identical (with the exception of dollar figures), it appears that this process is labor intensive and does not provide equivalent benefits. Management cited that the cost to automate the receiving process would outweigh any benefits gained. It should be noted that, based upon testing, collection materials can be traced to the corresponding packing slip and/or invoice without automation.

Follow-Up Recommendation A - December 2003: In the absence of automation, consideration should be given to streamlining the receiving process. Incoming shipments could be reconciled to the purchase order (website order list versus County form) which provides a detailed list of ordered materials and number of items ordered for each material. Since the packing list and the invoice denote the number of items shipped/received, staff could simply count the number of items received and compare this total to the amount denoted on these two documents. If any discrepancy is identified, then a closer examination of the packing slip and invoice could be performed. This process utilizes the purchase order as the primary document for receiving materials into inventory and for verifying that materials ordered have been received. Furthermore, receiving/shipping

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documents (i.e., purchase orders/order list, packing lists and invoices), should be collated together to form a complete audit trail and to improve the efficiency and effectiveness of the receiving process. *Refer to Exhibits 1 and 2 to see flowcharts of the recommended manual receiving process.*

Follow-Up Comment B - December 2003: The order discrepancy-returns process was reviewed in regard to timeliness and documentation requirements. Based upon testing and communications with staff, it appears that the Library significantly enhanced this process. However, the Library's return packing list and proof of returned shipment is not collated with the other return documentation.

Follow-Up Recommendation B - December 2003: Consideration should be given to enhancing the order discrepancy-returns procedure. The return packing list and proof of returned shipment should be collated with the other return documentation.

Follow-Up Comment C - December 2003: The Library orders approximately 75% of its collection materials from one vendor. These materials are ordered from the vendor's website. This vendor offers online shopping/ordering free of charge. Based upon observation and communications with staff, it appears that this ordering process is efficient and effective. It provides a means of tracking open, closed, and canceled orders as well as back-ordered shipments. The enhanced procedure has cleared the original concern.

Follow-Up Comment D - December 2003: No material concerns were identified during testing of the Library's close-out procedure of the expired lease program. Since the lease program has been closed-out, the original concern is obsolete.

Original Comment E - September 2001: Not weeding as often as is necessary can affect the Library's ability to house up-to-date materials and the number of materials needed to meet patron demand. Further, it can affect material turnover (variety). During fieldwork, the Main Library hallway contained carts of books that could not be stored properly due to a lack of shelf space. It appears that weeding is ongoing, but it may not be performed as in-depth or as often as is necessary. During fieldwork, staff was weeding some material classifications using the Library's weeding procedure as guidance. However, staff cited a need for a weeding schedule. The Library is in the process of updating and enhancing the current weeding procedure.

Recommendation E - September 2001: Consideration should be given to creating and implementing a schedule to weed on a rotating basis. This schedule should be included in the revised weeding policy.

Management's Response E - September 2001: Currently, we are in the process of updating the Collection Management Policy, which contains the guidelines for weeding. A website through the state's Media Specialists has been located which offers monthly subject areas to weed and gives a list of books libraries shouldn't have on the shelf. Other similar sites will be targeted to determine how other libraries handle a weeding schedule. We will also form a committee of staff that deal daily with the collection and our patron needs so that input can be given as to which areas need to be weeded. Weeding will become a priority during the upcoming fiscal year.

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Management's Response E - August 2003: Since the audit in Sept. 01, the Collection Management Librarian has compiled "Guidelines for Weeding Library Materials." These guidelines are used by all staff that assist in the weeding process. Weeding our collection has always been an ongoing process. However, after the audit, we began doing it more vigorously. Specifics are included in the revised Collection Management Policy manual as to the required time frame for weeding. Due to recent changes in our automation system (Unicorn Workflows), we now have the ability to create inventory reports of our collection. These reports are utilized in the weeding process and for inventory control.

Follow-Up Comment E - December 2003: The Library enhanced its weeding policies. Implementing Unicorn has made inventory control more efficient. The enhanced policies are easy to read and understand. Based upon a review of the Library's revised Collection Management Policy manual, Unicorn (materials) circulation reports, and the weeding schedule, it appears that the original concern has been cleared.

Concern Identified During Follow Up Fieldwork: Library staff and volunteers are offered vendor discounts for the purchase of books and other materials. Unlike other authorized employee discounts, this discount is offered to Library personnel only. When discounts are offered to all employees, there is limited potential for the appearance of impairment of objectivity and/or conflict of interest, and ethics are generally not a material consideration. However, the practice of offering a select group of County employees a benefit is considered a violation of the County's employee gift policy, HR 07-03.3, Section D., #2. ASD addressed whether this practice is fraudulent. It was determined, that because there appears not to be any ill intent, the practice may be an unintentional consequence of the County's employee gift policy. Management immediately discontinued allowing this practice during fieldwork, once this concern was brought to their attention.

GATE SECURITY / PHYSICAL SAFEGUARDING

Original Comment - September 2001: Collection materials which are outfitted with a security strip should activate the security alarm when passed through a security gate. ASD tested the security gates at the Main Library and the West branch. Test results indicate that the security gates are not working properly. It appears that the nature of the malfunction is not with a single location or human error. It may be that there is a problem with either the security strips placed on/in the materials (faulty device); or the manner in which the materials are outfitted with the security strips (handling); or the security strips not working congruently with the security gate (electronic). To further determine the effectiveness of the security system, ASD randomly selected a sample of materials for testing. The testing consisted of locating materials on Library shelves using the database inventory record as guidance. Approximately 90% of these materials were located.

Recommendation - September 2001: Consideration should be given to contacting the vendor that supplied the security gate system to have the system repaired. Once repaired, the strips and the security gate should be tested on an on-going basis. If security deficiencies are identified, management should take immediate corrective action.

To ensure that inventory records are complete and accurate, consideration should be given to performing periodic physical inventory counts. This can be accomplished by performing annual counts on a scheduled rotating basis. The counted materials should be compared to the inventory records. A policy should be implemented to handle any discrepancies that are identified. Management's authorization of the test results should be required.

Management's Response - September 2001: We have been aware of problems with security of materials in the library, mostly incurring with non-print formats (videos, books on tape, CDs). We have been working with staff to minimize the problems when the alarm goes off after materials were desensitized. Staff has discussed the situation with our 3M Company representative. At his suggestion, we have taken additional steps to ensure that staff is using the proper procedure and the proper equipment for desensitizing and resensitizing books and magnetic materials (CD's, videos and cassettes). Another problem, at times, is that some print materials do not set the alarm off at all. Our representative will visit us to conduct an evaluation of the gates and other equipment.

We plan to study security of all formats to pinpoint whether any of the equipment or supplies we are using are not functioning properly. We will start this project after the pending library system upgrade to the Taos program and after we have had time to learn to use the system. We expect to finish this study at the end of January 2002. We are hoping to upgrade our older security equipment currently used for books and CDs. We are confident that these measures will improve the safeguarding of all library materials.

On September 11 and 12, 2001, Library Staff received training on reports available in the new Taos System. There are a couple of reports that display shelf list (the main inventory list) by location or counts the number of items in a particular location code. These reports will be used for physical

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inventory counts. Once we are able to examine the reports, we will implement policy to handle any discrepancy. As with all Library Reports, management authorization of the test results will be required.

Management's Response - August 2003: Money to have an in-depth service call performed on our security gates was budgeted in FY2002/03. When calling the vendor, library staff was informed that service for our equipment is no longer available. Our security gates are 13 years old. Replacement for this equipment is costly. Library staff was trained again (February 2002) on securing library materials. If the security alarm sounds, staff has been instructed to call patrons back and follow proper procedure.

With the Unicorn system, we are able to create a shelf list by branch. Staff has been utilizing these lists for physical inventory and weeding control. Any discrepancies are brought to the attention of the Collection Management Librarian and marked accordingly in the catalog.

Follow-Up Comment A - December 2003: Based upon communications with management, it appears that the security gate systems will not be supported by the vendor after year end. Management cited that replacement of this security feature is not feasible at this time. Management has considered installing a security feature in the new branches when they are constructed. Construction is anticipated to begin in the near future.

As a temporary means of safeguarding collection materials from theft, the Library implemented a manual procedure, which based upon testing, is being performed adequately. It appears that this corrective action has temporarily cleared the original concern.

Follow-Up Recommendation A - December 2003: If the benefit of installing security gate systems outweighs the cost, then security features should be installed and/or replaced, as appropriate. Based upon the Library's anticipation that security systems will be installed in the new branches, ASD concurs with management that newly purchased materials should be armed with security strips. Once the gates are installed, periodic ongoing random sample testing should be performed to ensure that the system continues to perform as designed. These test results should be documented and reviewed by management. A written policy would support management's directive.

Follow-Up Comment B - December 2003: Unicorn is neither utilized to track acquisition data (purchase order through first circulation of the material), nor to provide a disposition audit trail (i.e., materials weeded, damaged, stolen, lost, etc.). In 2001 and 2003 ASD performed physical inventory counts. Five percent (5%) to 10% of the test results were inconclusive. These items could not be located and their status could not be determined (i.e., if the Library removed these items from inventory). If there is no control over the disposition record, then the potential for misappropriating County assets is increased. Management cited that the cost of additional computer storage space to maintain disposition records is not feasible at this time.

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Recommendation B - December 2003: Although computer storage limitations may exist, ASD continues to recommend that a complete life-cycle history of collection materials be maintained. If/when feasible, consideration should be given to ensuring that materials in the collection are tracked from acquisition through disposition.

INFORMATION SYSTEM/AUTOMATION

ASD Note: *The Library converted its database to “Taos” in November 2001. The software corporation that developed “Taos” was sold to another software developer and, in May 2002, the Library’s data was converted from “Taos” to “Unicorn Workflows” (Unicorn). In addition, in October 2003, the Library’s network administration responsibilities were transferred from Technology Services to Library Services. Approval for the transfer was obtained from County administration. Therefore, the ASD expanded the scope, to a limited degree, to address the recent conversion and the effect on the Department’s operational and/or cash controls (see Scope and Scope Limitations, page ii).*

Original Comment A - September 2001: Members of the staff have the ability to change the date when checked out materials are returned to the Library and to delete holding records. It appears that a large majority of back-dating is done for items returned after hours and days when the Library is closed. The Library does not wish to charge patrons fines for these time periods. Further, material holding records could be edited and/or deleted from the database without an adequate audit trail denoting which holding records were changed and by whom. This could allow for an environment for misappropriation of County assets.

Recommendation A- September 2001: When the Library implements its new computer system, the following should be considered:

1. Programming the software not to charge overdue fines on days when the Library is closed, and not to allow staff the ability to change the computer’s date. This would ensure that material return dates are accurately recorded. Further, if this change to the system is not permissible or is determined not to be efficient, these types of fines should be waived, not bypassed.
2. Implementing a method of tracking materials throughout their life cycles (purchase through disposal). An automated edit report would then provide management with a list of holding record status changes.
3. Implementing automated security controls that limit who can edit holding records. Management should periodically review computer transactions, such as on an edit report, to ensure authorization was given to delete and/or edit a record. This will also assist management in ensuring accuracy.
4. Coding leased materials differently from purchased materials so that, through automation, the lease plan materials can be easily identified and automated reports can be created to assist staff in reconciling Library records to the lessor’s records.

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Management's Response A - September 2001:

1. Once we migrate to our new automation system (Taos) we will have the ability to program our software so that no fines are charged for the weekend and other closed days, therefore eliminating the need for back dating the computers.
2. Once the Taos system has been implemented we will check into the ability for obtaining reports that will track and provide a list of holding record status changes.
3. Again, with the migration to Taos, security levels will be set so that only specific staff has the ability to edit or change any library records.
4. Currently, leased materials come with a red sticker on the bottom of the spine of each book. This allows us to immediately determine an item is part of the lease program. Any adjustments to records in our automated system would not be cost effective and would only create unnecessary work for staff.

Management's Response A - August 2003:

1. With our current automation system, staff has access to a bookdrop wizard. This wizard provides the last date opened. Material deposited in the bookdrop prior to opening is checked in by utilizing this method. Staff no longer has the need to back date material when checking in; therefore fines are not charged to a patron's account.
2. With our current automation system, we have the ability to run reports that track materials through their life cycle. Staff utilizes this report for inventory and weeding purposes. Staff knows the importance of changing the location of materials when they are being transferred permanently to another location.
3. Our current automation system has allowed us the ability to create unique log-ins for staff. Only supervisory staff has the ability to edit holding records. They have all been trained on how and what they can edit. Training took place May 2002 and is on-going as needed.
4. We no longer participate in the Baker & Taylor lease program. Therefore special coding for these items is not necessary.

Follow-Up Comment A - December 2003:

1. Unicorn provides a bookdrop wizard. Through a demonstration of the software, ASD observed that staff manually enters the date that the Library was last open, and then is able to check-in (scan) a batch of books at one time without re-entering the date. Thus, data entry errors (of the date) and charging fines to patron's accounts in error are minimized. Since the potential for significant dollar value liability (at \$0.10 per day late fee) is very low and the potential for customer service failure is high (if patrons get charged in error), it appears that implementation of the bookdrop wizard has enhanced Library operations and cleared the original concern.
2. Based upon staff interviews and database observations, it appears that implementation of Unicorn

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has significantly improved collection materials inventory tracking from one location to another.

3. Unicorn has an automated security function that allows implementing user access rights. Access rights allow or restrict a user's capacity within the system (i.e., what screens may be accessed and who may perform what functions such as editing and/or deleting). Based upon a review of Unicorn's current settings, it appears that user access rights are tiered according to staff level and job function. Based upon staff interviews and system observations, via automated controls (within Unicorn), only authorized personnel have the access rights to edit/delete database records. Staff has received the tools (i.e., system user manual) and training to support the appropriate use of these functions. Through the implementation of Unicorn, it appears that corrective action has cleared the original concern.

4. The original concern is obsolete. The Library discontinued leasing materials, effective July 2003.

Concern Identified During Follow-Up: Based upon communications with staff and database observations, it appears that, rather than unique user assignments, user IDs and passwords are assigned to groups of staff members who perform similar job functions. Passwords were assigned to staff in May 2002 and have not been changed since that time. This practice may have a potential material impact on system security, through unauthorized access by former employees and/or current employees that are now performing another function. Lack of unique user IDs and passwords is a material security concern since any changes made to data cannot be traced to a specific user.

Recommendation September 2003: ASD recommends that further consideration be given to establishing individual user IDs and passwords, whereby management establishes procedures that ensure passwords are changed on a frequent basis. It should be noted that although management cited agreement with this recommendation, management indicated that they do not believe that implementation is feasible at this time due to current staffing levels.

Concern Identified During Follow-Up: Unicorn software setups are comprehensive and detailed, particularly regarding user access rights. Based upon communications with staff and system observations, it appears that these setups are not adequately documented so that restoring or enhancing the setup settings would be difficult. Management took corrective action during fieldwork that cleared this concern.

Concern Identified During Follow-Up: During fieldwork, network server administration responsibility was transferred from Technology Services to Library Services. Based upon communications with County administration, it appears that this transfer was authorized by the appropriate level of management. Discussions were held with Library management and staff regarding the transfer (see Scope and Scope Limitations, page *ii*). ASD agrees with County Administration that not all issues have been resolved. Security considerations remain a primary concern for ensuring the integrity of the County's and the Library's systems.

Recommendation September 2003: Consideration should be given to consulting with County

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Administration and/or Technology Services to identify potential data network safeguards (i.e., disaster recovery, data backup, and delineating server administration responsibility). Once these are identified, policies and procedures should be created and implemented to address these potential concerns.

Original Comment B - September 2001: The Library uses a bar code system to track the location and status of materials. Per staff, materials are occasionally transferred from the East Branch to the Istachatta and Rock Cannery stations without being tracked (scanned) in the computer system. Therefore, materials that are assigned to the East Branch may actually be housed somewhere else.

Recommendation B - September 2001: When materials are physically transferred from one location to another, the computer records should be changed to reflect the correct location.

Management's Response B - September 2001: Staff has been reminded to change the location of material when transferring items to another location. Staff should also route-in items once they arrive at their new location. This is a procedure that we have had in place since the implementation of an automated system in 1991. The staff member that Audit Services spoke to had forgotten this step and has since been reminded of this procedure and its importance.

Management's Response B - August 2003: Staff know the importance of changing the location of material when it is being transferred permanently to another location.

Follow-Up Comments B - December 2003: Based upon staff interviews and a review of system procedure manuals, it appears that adequate controls are in place for tracking the correct location of materials in the collection. Therefore, it appears that management has taken corrective action to clear the original concern.

PATRON RECORDS

Original Comment A - September 2001: At the time of applying for a library card, patrons are required to provide the Library with documentation of their address and some form of identification; however, the Library does not verify this address or require a photo identification. When creating a patron record, the computer does not require that qualifying information be entered. Further, patrons can obtain a replacement library card without showing identification.

Recommendation A - September 2001: To safeguard materials, the Library should require verification of residency and a photo identification. The computer system should require qualifying information. If the patron does not furnish the Library with proper photo identification, the Library should issue them a temporary card which entitles them to limited services/materials until their qualifying information is verified.

Management's Response A - September 2001: When providing patrons with a library card, staff asks for a driver's license or State Identification Card, regardless of the proof of residency provided in order to obtain a library card. There are very few cases when a photo I.D. is not provided (e.g., children). Library Administration will be checking with surrounding counties to find out what documentation they request in order to issue a library card to patrons. We will compare those findings and may implement changes to our current membership qualification list.

Management's Response A - August 2003: A committee was formed (6/2002) and asked to review the library's membership qualifications at the time of the audit. Surrounding counties were contacted and considered when new qualifications were established, although our current guidelines were more stringent than our neighboring counties. Staff has been trained to always ask for picture I.D. when applicable.

Follow-Up Comment A - December 2003: Based upon a review of the Library's updated policies and procedures and observation of Unicorn in regards to patron enrollment, it appears that corrective action cleared the original concern. However, once an application for a library card is remitted and the patron's demographic information is entered into Unicorn, the application form is shredded (destroyed). The new patron's signature on the application form denotes his/her agreement to be responsible for materials borrowed, fines incurred, and lost/damaged materials. When this form is destroyed, it may potentially void this agreement. In addition, based upon the Florida Department of State's Retention Schedule GS1-L, Item #279, and communications with Records Storage, these forms must be stored for at least thirty (30) days after the patron's library card expires.

Follow-Up Recommendation A - December 2003: Since potential liability and the patron's responsibility to uphold the agreement may be in jeopardy, consideration should be given to consulting with the Legal Department and Record Storage to ensure compliance with record retention standards.

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Original Comment B - September 2001: There is an automated control that alerts staff when a patron has at least one past due material. This control limits the patron's ability to check out more than one additional material until corrective action is taken; however, staff members have the ability to override this control. There are no written guidelines; therefore, the staff uses judgment to determine if an override is appropriate.

Recommendation B - September 2001: At a minimum, management should provide staff with written guidelines for determining when and if an override is warranted. Ideally, a supervisor's authorization should be required to override the system.

Management's Response B - September 2001: Once the library's automated system migrates to Taos, policy files will be set so that only certain levels of staff may override activities in our system.

Management's Response B - August 2003: When a patron's account alerts staff of an overdue item, staff ascertain the reason for the delinquency and, based on training, decide if an override is required. Staff is able to make the decision based on the response of the patron. It is the Library's goal to provide materials and access to items, when possible.

Follow-Up Comment B - December 2003: Based on a review of the Library's revised policies and procedures relating to system overrides, and observation of Unicorn, it appears that corrective action cleared the original concern.

THE CHECK-OUT/RETURN PROCESS

Original Comment A - September 2001: Cash transactions are entered twice, once in the computer and once in the cash register. At some locations, the transactions are recorded a third time on a handwritten log. Due to incomplete and/or inaccurate data entry and/or mathematical errors, cash transactions do not reconcile from one data source to another (cash register, computerized Money Report, and handwritten log). Currently, there is no procedure for handling discrepancies.

When cash register transactions are greater than computerized transactions (as indicated on the Money Report), this indicates that staff may not be entering all transactions into patrons' database records. In essence, paid fines and/or fees collected from patrons may not be credited to their records. If computerized transactions are greater than the cash register transactions, this may indicate misappropriation of cash. This may happen if fines and/or fees paid are credited to the patron's record but the funds are not placed in the cash register.

Recommendation A - September 2001: To increase efficiency and effectiveness and enhance internal controls, eliminating the use of cash registers and logs should be considered. Transactions would then be entered into the computer and cash would be stored in a cash drawer during work hours. The cash drawer would then be reconciled to a daily transaction report. This should ensure that patrons' records accurately reflect cash transactions and should reduce labor hours.

Management's Response A - September 2001: If elimination of cash registers were to occur many things would need to be considered. A computer generated money report would be needed to balance the daily monies. Reports can only be executed by a certain level of staff. Therefore, reports may not be executed on a daily basis. Also, since the server is connected to the printer located at the Main Library, all reports would be printed at that location and would need to be transported to the other locations. Our courier provides service from Monday through Friday. Items are not taken to branches on Saturdays. Therefore, the report for Fridays and Saturdays would not be received until Monday. Another consideration is that our cash register tape acts as a receipt for patrons that pay fines. Staff would need to fill out receipts from a receipt book in order to provide proper documentation to patrons. Though all staff with access to the cash register may void or make a refund, they have been instructed to notify a supervisor prior to doing so. If refunds occur the X and Z tapes document this transaction and if a supervisor had not been notified they have the ability to follow up with staff. Continued staff training should reduce, if not eliminate, discrepancies with cash register transactions and computer generated reports.

Management's Response A - August 2003: Our new automated system does not have the ability to create money reports. Supervisors utilize the X and Z tapes from the cash register to reconcile money taken in each day.

Follow-Up Comment A - December 2003: The Library continues to duplicate recording of cash receipts (in a cash register and in Unicorn). In addition, cash receipts are not reconciled from Unicorn

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to the cash register. To perpetrate fraud, the collection could be entered into Unicorn but not recorded in the cash register whereby the cash could be misappropriated.

Based upon a review of recording and reporting cash receipts entered into Unicorn, it appears that a variety of pre-formatted cash reports can be generated. Management disagrees, citing that the pre-formatted cash reports neither provide adequate information nor warrant a changeover from the Library's current process. These reports can be customized to the Library's needs. Duplication of recording cash receipts is not efficient.

Follow-Up Recommendation A - December 2003: The potential exists to enhance internal controls and efficiency and effectiveness by eliminating recording cash transactions twice. Therefore, consideration should be given to customizing Unicorn cash reports to meet the Library's needs and eliminating the cash registers.

Original Comment B - September 2001: It appears that a lack of segregation of duties exists in some areas of operation. At some branches, multiple staff use cash registers and computers simultaneously. Some staff members have access to the cash register key and can void transactions without adequate supervision. At some locations, the employee that receipts cash transactions also balances the cash register, makes the bank deposit, and reviews the Money Reports.

Recommendation B - September 2001:

1. Duties should be segregated so that no one employee receipts cash, balances the cash drawer, and makes the bank deposit. Management should review the reconciliations. By segregating these duties, there will be a check and balance of cash receipts and transactions.
2. Consideration should be given to safeguarding the key used to void cash register transactions. The employee that receipts cash should not have access to the cash register key. A supervisor's oversight/authorization should be required to void a transaction.

Management's Response B - September 2001:

1. Staff assigned to work the desk has access to the cash register. During each shift a person should be assigned to handle all cash register transactions. Once their shift is completed, a supervisor should check the cash register to ensure that everything has been accounted for. Due to our hours of operation and various job responsibilities, it would be difficult to limit access of the cash register to a few select employees.
2. Staff should bring any refunds and voids to the attention of the supervisor. Continued staff training will occur regarding this matter.
3. Library Supervisors and Information Specialist IIs primarily handle balancing the cash drawer, documenting money taken in and making the bank deposits. There are times when one supervisor may handle one aspect of that process and another supervisor may handle another

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step. Due to vacations, unexpected absences etc. it is not always possible to have both supervisors handle all cash transactions.

Management's Response B - August 2003:

1. Only circulation staff assigned to work the desk should enter money into the cash register.
2. Staff has been trained to report all voids and refunds immediately to the attention of the supervisor.
3. We continue to have two positions at each library location that handle balancing the cash drawer, documenting receipts, and depositing monies. Supervisors have been instructed to spot check the cash register randomly to ensure money is being deposited frequently and that documenting receipts are being prepared accurately. Additionally, at the recommendation of ASD, other staff has been trained to close-out monies, thus segregating the duties so that no one employee handles all transactions.

Follow-Up Comment B - December 2003: Based upon a review of the Library's revised procedures, communications with staff, and observations, it appears that management has adequately implemented good business practices regarding cash handling of monies collected from cash registers. It appears that corrective action cleared the original concern.

Original Comment C - September 2001: Staff's authority level for waiving fines is not consistently applied. The waived fines reported to supervisors on computer printouts do not always reconcile to the amount denoted on Money Reports. Many of the waived fines reviewed neither stated the reason for the fine, nor staff initials, nor supervisor authorization.

Recommendation C - September 2001: To increase efficiency and effectiveness and enhance internal controls, the standards for waiving fees should be consistently applied to all staff, in all locations. Fees waived should be documented as part of the daily reconciliation and be approved by management.

Management's Response C - September 2001: Library staff has been given guidelines to use when waiving fines for patrons. Staff must also make a printout of any fines waived, initial it and pass it onto a supervisor. The supervisor then utilizes those printouts to justify waives documented at their location against a computer generated money report that they receive twice a month.

Management's Response C - August 2003: All staff has been given guidelines pertaining to the ability to waive fines. It has been discussed at the Library Supervisor's Meetings (1/2002, 2/2003) and then individually at each branch so all necessary staff is informed. Line staff has been given guidelines pertaining to waiving fines. They must first bring it to the attention of the patron. If the patron is adamant about returning the material on time, staff has the ability to waive fines that are \$5.00 and less. Anything over \$5.00 must be handled by a supervisor. Any waived fines must be printed, initialed and dated by staff performing the transaction and given to the supervisor on duty.

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Follow-Up Comment C - December 2003: Based upon a review of the Library's revised policies and procedures and communications with staff, it appears that corrective action cleared the original concern.

Original Comment D - September 2001: There appears to be a lack of segregation of duties when cash is removed from the safe or other storage receptacles.

Recommendation D - September 2001: When cash is removed or placed in cash receptacles, such as vaults, file cabinets, and cash drawers, it should be handled prudently and under dual control. Ideally, when cash changes hands, it should be counted by both employees and placed in a sealed envelope. The outside of the envelope should denote the amount of cash enclosed, the date the cash was counted, and the signature of both employees.

Management's Response D - September 2001: Currently, most staff that handle counting the daily monies are staff with supervisory positions. There are times when other trained staff has been asked to assist with this duty. Due to operating hours and number of staff, more than one supervisor is not always on duty. We will discuss the possibility of having two employees count the money before placing it in a safe location. We will also remind staff to date, initial and document the amount on the outside of the envelope that they place the counted money in.

Management's Response D - August 2003: Library Administration has discussed the possibility of having two people verify the money drawer at the end of each day. This is not always possible, since some branches close with one staff member and a volunteer. Supervisors have been asked to date, initial and write the amount of money on the bank envelope at the end of the day. Money must match the amount indicated on the X and Z tapes.

Follow-Up Comment D - December 2003: Based upon a review of the Library's revised policies and procedures and communications with key staff, it appears that corrective action cleared the original concern. The removal/placement of cash into a secure receptacle is adequately handled under dual control.

Dual controls are not practiced regarding the removal of cash from copy machines. Management cited that dual control is not practiced because the copy machines are maintained in the morning, before the library opens to patrons. This is when staff levels are minimal. The copy machines are generally located in public areas so management is concerned that if cash is collected from the machines during hours of operation, this may jeopardize staff safety. In addition, management cited concern that the copy machines are not accessible by the public during the few minutes it takes to empty them. ASD recognizes that staff safety and public service are primary concerns.

Follow-Up Recommendation D - December 2003: Consideration should be given to implementing a cash security practice that does not hinder staff safety or public service.

Original Comment E - September 2001: Members of the Library staff generally have building entry door keys and have knowledge and ability to enter the receptacle where cash is stored. These

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factors indicate a lack of adequate physical cash security controls.

Recommendation E - September 2001: To enhance cash security controls, access to buildings should be limited to employees that require access (i.e., supervisors/employees who open/close the branch). Employees that have entry door access should not have access to the after hours cash storage receptacle. No one person should have access to the building and access to and knowledge of the cash receptacle.

Management's Response E - September 2001: Due to the library's hours, staff schedules and changes to schedules, it would be difficult to restrict access to the building to a few individuals. Currently, we do not allow any temporary employees to have a key to our buildings. All staff is aware that when they are not scheduled, entry into the building is not permitted without prior notification to their supervisor. A review has been made by Administration that keys have only been given to required staff. A list of key holders is documented and held in administration files by our Executive Secretary. It is imperative, due to Library hours and staff schedules, for these permanent employees to be key holders. Cash storage is limited to supervisory staff and their designees.

Management's Response E - August 2003: Keys to the building and cash storage are only given to required staff.

Follow-Up Comment E - December 2003: Based upon communications with staff regarding building access, it appears that all permanent Library staff has been issued building keys. Per management, all staff has building access keys due to work schedules and varied hours of operation. Some staff members who have entry door keys also have access to the after hours cash receptacles. Per management, segregation of access to cash and buildings is not possible because staff responsible for cash controls are also responsible for opening and closing of the buildings. In some locations, management cited that staffing levels also prevent the segregation of incompatible duties.

Follow-Up Recommendation E - December 2003: As a matter of good business practice, consideration should be given to enhancing after-hours cash security measures. To accomplish this goal, there should be two (2) key/safe combination custodians. Each custodian is responsible for safeguarding their key or combination, as applicable. Alternate custodians can be assigned so that cash can be accessed in the absence of one custodian. To gain authorized access to a receptacle, two (2) staff members must obtain one key/combination each. Dual control can be implemented at different levels such as two locks or a lock and combination on entry doors, cash receptacles, or combination of each.

MISCELLANEOUS CASH RECEIPTS

Original Comment A - September 2001: There is no check and balance procedure for cash donations of five dollars or more. Cash and checks are forwarded to the Main Library via courier without being data input into the cash register or the computer. The Main Library and the intake branch location do not reconcile their records.

Recommendation A - September 2001: All cash transactions, including donations, should be recorded at the receiving point (cash register/computer) and stored in the cash drawer. Receipts for donations should be made available upon patron request. Donations should be deposited into the concentration account along with the branch's other monies. The Finance Form should include a sub-total of the donations received and a sub-total of all other monies received. The total dollar amount on this form should be equal to the total amount of the deposit, and should reconcile to the computer transaction report. On the Finance Form, the branch should note the Finance account numbers for both the donations and the other monies.

Management's Response A - September 2001: Library Administration will create a policy so that all branches begin documenting with their daily monies all donations accepted at their location. It will be determined which steps need to be taken in order for accounts to be documented properly and so that staff who needs access to this information will still be notified. A procedure will be implemented by January 2002.

Management's Response A - August 2003: All money taken in at a branch is documented in their cash register. This includes donations of any amount. A line for donations has been added to the daily Payer Sheet so appropriate staff can be alerted of the amount. This was done by January 2002.

Follow-Up Comment A - December 2003: Based upon a communications with staff and a review of the Library's revised policies, procedures, and forms regarding donation (cash) receipts, it appears that corrective action cleared the original concern.

Original Comment B - September 2001: The Library uses a perpetual inventory system for the Main Library's change machine. When dollar bills are removed from the machine, they are replaced with coins, and the beginning balance is not counted. Staff indicated that the beginning balance has not been counted in approximately 15 months. During fieldwork, this control weakness was brought to staff's attention who immediately took corrective action and counted the beginning balance.

Recommendation B - September 2001: To ensure that the coin machine's beginning balance is accurate, staff should periodically count these funds and document the results. This will assist staff in identifying if/when the machine malfunctions and does not disburse the correct amount of change for the bills inserted.

Management's Response B - September 2001: To ensure that the library's coin machine's beginning balance is accurate, staff will begin counting the money collected at least every three months. Totals will be documented on a form that includes the date checked, the staff member's

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initials and the total amount counted. If there appears to be a significant discrepancy in the beginning balance, staff should consider having the machine serviced.

Management's Response B - August 2003: There is no longer a change machine at the Main Library.

Follow-Up Comment B - December 2003: The library no longer has any change machines, and therefore, the concern is obsolete.

POLICIES AND PROCEDURES

Original Comment A - September 2001: It appears that the written policies and procedures manuals are not complete and some are in the process of being developed. The 1995 Collection Management Policy manual is in the process of being revised.

Recommendation A - September 2001: The Library should continue to develop operational policies and procedures. All forms referred to in the policies should be included as exhibits. If the Library policy statements rely on procedural information from another written source, the policy should reference that source.

Policies should be written clearly so as to minimize the risk of misinterpretation. To minimize potential liability, policies that address high risk and/or financial areas should be drafted by the Library and reviewed by the Legal Department and/or the Finance Department. This allows the Legal Department and/or the Finance Department the opportunity to address legal and financial issues that relate to sensitive information and foster practices that are in compliance with applicable laws and regulations before policies are adopted. The policies should have the Library Director's authorization by signature and an effective/revision date.

The Library has the processes in place to make implementing internal controls fairly easy. Once internal controls are implemented, the policies should be updated to reflect these changes.

Management's Response A - September 2001: Our Collection Management Librarian is in the process of updating our Collection Management Policies. The library will continue to make an effort to update policies and procedures as outlined by the audit. We currently have numerous policies and procedures in place. Due to our migration to Taos we will need to update those policies and ensure that all staff is aware of those changes.

Management's Response A - August 2003: The Collection Management Policy has been revised (9/2002). Library staff continue to update and create policies as needed. With the implementation of the new automated system, staff has created training manuals and is currently updating a Supervisor's Manual. An effort has been made to include the date and authorization of management as policies are created and/or revised.

Follow-Up Comment A - December 2003: The Library enhanced its policies, procedures and guidelines. For example, they created weeding policies and the Unicorn Circulation Training manual. Based upon those policies and procedures reviewed, it appears that they are well written, easy to understand, contain clear examples/exhibits, and are authorized by management. The original concern has been cleared.

EXHIBIT 1

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EXHIBIT 1 - Materials Purchasing & Receiving Process For Primary Vendor (Recommended Process)

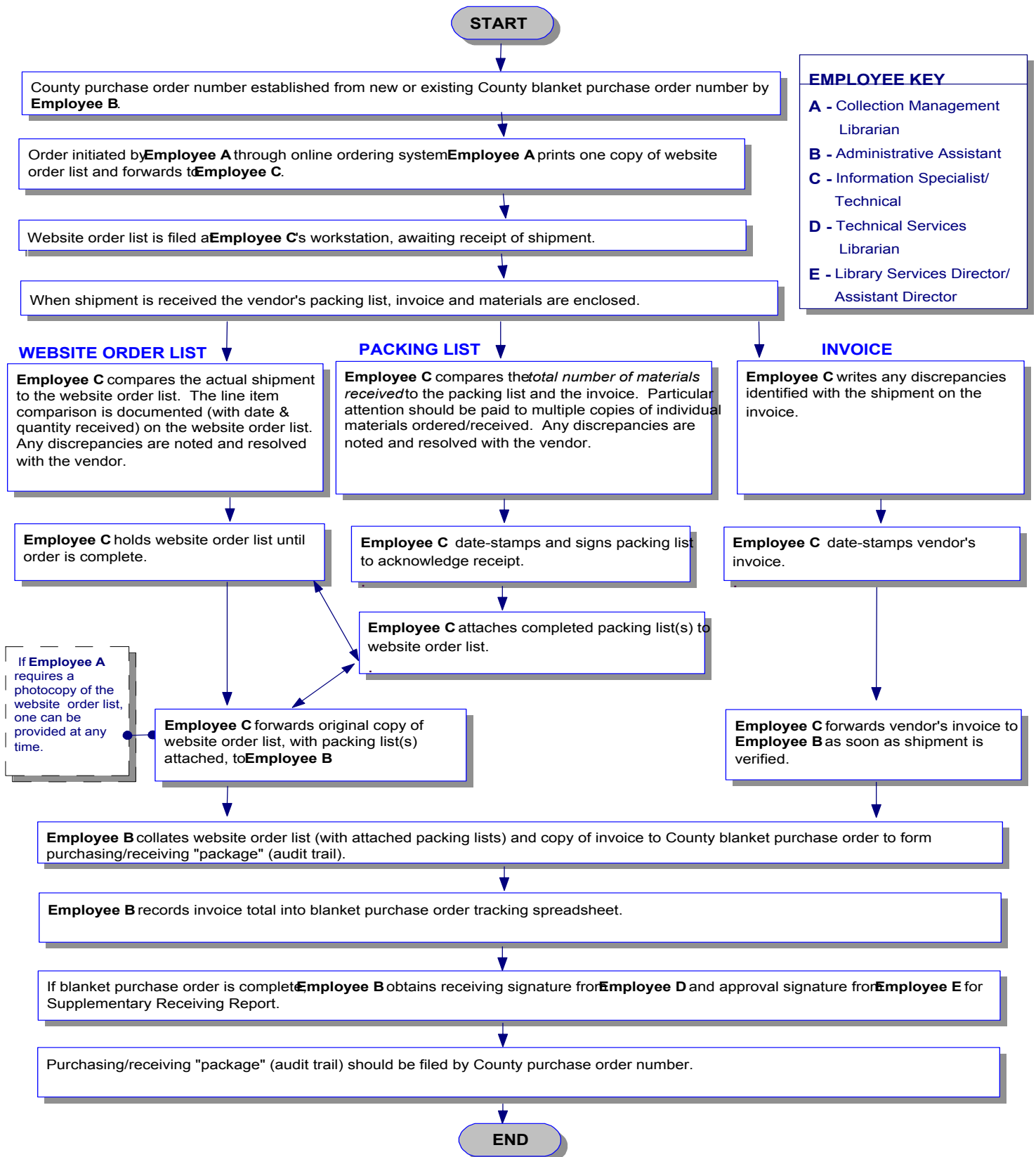
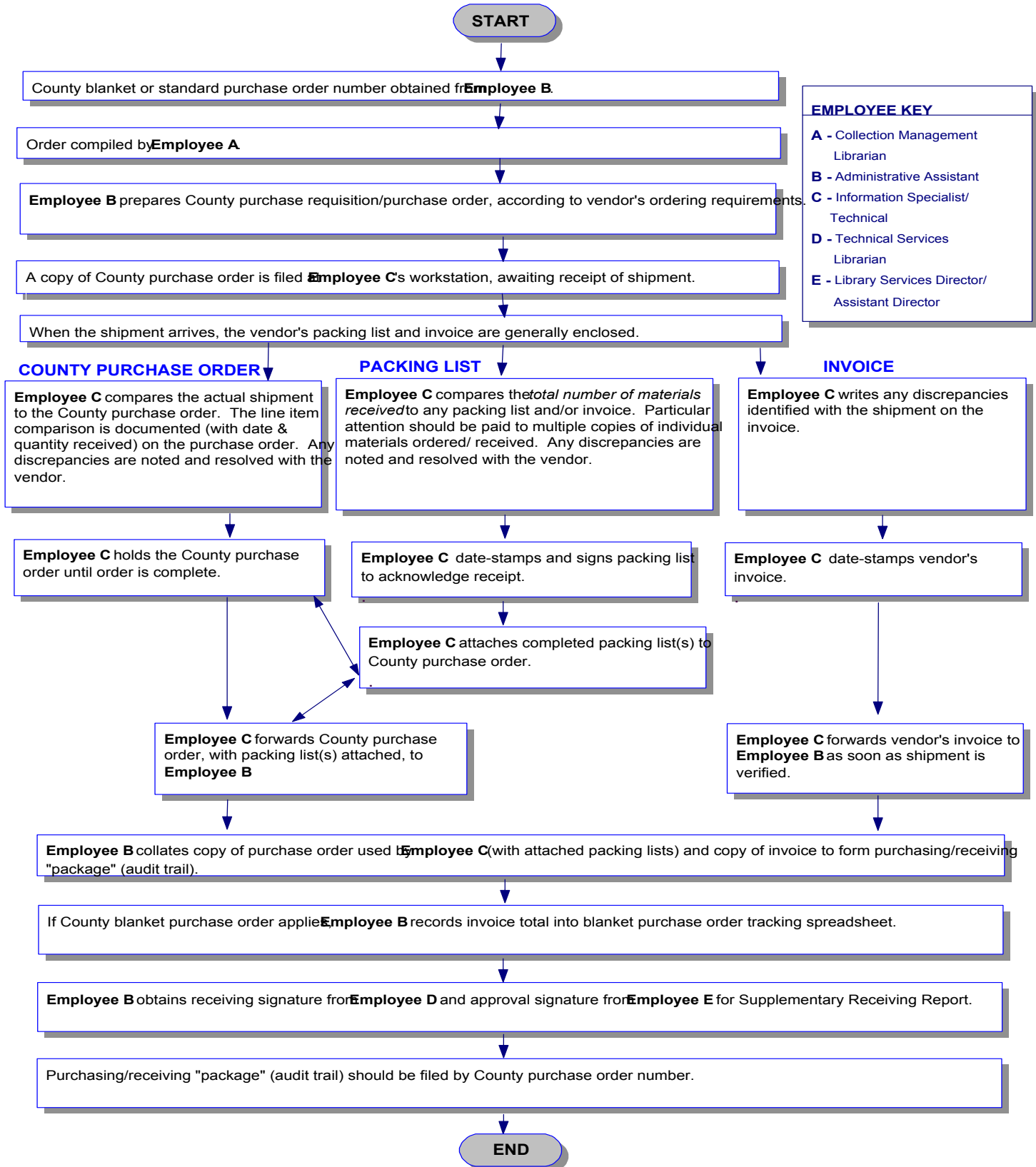


EXHIBIT 2

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EXHIBIT 2 - Materials Purchasing & Receiving Process For Secondary Vendors (Recommended Process)



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