

FOLLOW-UP OF LIBRARY INVENTORY AND COLLECTION PROCESS

June 2016

Original audit report issued November 2014

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SUMMARY AND RESULTS

Background

The purpose of the November 2014 Audit of Library Inventory and Collection Process was to determine if internal controls related to the tracking and monitoring of the Department's Library Collection (inventory) adequately safeguard the assets and if internal controls related to the processing and collection of overdue fees were in compliance with applicable rules, regulations, policies and procedures.

The original audit report concluded that the Sarasota County Libraries Department would benefit from:

- Displaying only items that are currently available on the online catalog.
- Performing a comprehensive physical inventory of the library collection.
- Monitoring status changes made to patron accounts.
- Reconciling daily deposits to receipts transactions in the library application.
- Reviewing the collection agency's invoices before approving payment.
- Re-evaluating the contract with the current collection agency.
- Tracking and monitoring of outstanding fees due to the County.
- Strengthening procedures for authorizing, creating, and monitoring payment plans.
- Improving procedures for adjusting and waiving charges.
- Documenting a policy decision regarding the reporting of delinquent accounts to the credit bureau.
- Developing procedures to identify accounts deemed uncollectible and subsequently present them to the Board of County Commissioners to be written-off.

Objectives

The objectives of this follow-up audit were to evaluate the observations reported on the Library Inventory and Collection Process audit report, dated November, 2014 and subsequent corrective actions taken by responsible management. This was achieved by providing independent, objective analysis as well as reasonable assurance that the previous concerns have been addressed and appropriate corrective measures implemented.

To meet the objectives of the follow-up audit, the following procedures were performed:

- Performed inquiries of the Department personnel in various positions.
- Obtained an understanding of changes made to the Department's Policies and Procedures since the original audit report date.
- Examined a sample of suppressed and un-suppressed items.
- Reviewed "Items Deleted Since Last Review" reports and corresponding management approvals.
- Examined a sample of daily reconciliations during August 2016.
- Reviewed the approval process for collection agency invoices.
- Assessed accounts previously on payment plans.
- Evaluated library fee adjustments and waivers between August 2015 and January 2016.
- Reviewed County Resolution No. 2015-182, *Fiscal Year 2015 Write-Off of Uncollectible Accounts* related to Libraries and Historical Resources.

Overall Results

Based on the results of our follow-up audit procedures, the department has addressed three (3) of the eleven (11) previous concerns and implemented appropriate corrective action on the conditions identified in the original audit report. Eight (8) recommendations from the original audit report have not been addressed sufficiently.

Condition	Status
A. Display Library Items that are Expected to be Available	Closed
B. Perform a Comprehensive Physical “Inventory” of the Library Collection	Open
C. Assess Security Controls Over User Access to the Library Application	Open/Partially Completed*
D. Reconcile Daily Deposits to Receipts Recorded in the Library Application	Open/Partially Completed*
E. Review Invoices for the Collection Agency Fees before Approving Payment	Open
F. Formalize Evaluation of Collection Services	Closed
G. Improve Tracking and Monitoring of Outstanding Fees Due to the County	Open/Partially Completed*
H. Strengthen Procedures for Authorizing, Creating and Monitoring Payment Plans	Closed
I. Improve Procedures for Adjusting and Waiving Charges	Open
J. Evaluate and Document Approved Collection Methods	Open/Partially Completed*
K. Comply with Accounting Policies and Procedures, Chapter 9.10 <i>Uncollectible Accounts Receivable</i>	Open/Partially Completed*

*Conditions C, D, G, J, and K remain outstanding as corrective actions were partially completed by the Libraries Department after the original audit. Corrective action is in process on the remaining portions of the management action plan. Conditions B, E, and I remain open as corrective action has not been completed.

Although eight (8) *Opportunities for Improvement* remain open or open/partially completed, this concludes the follow-up audit process as it relates to the Sarasota County Library Inventory and Collection Process.



OPEN CONDITIONS AND PENDING CORRECTIVE ACTION

Eight (8) of the eleven (11) conditions identified in the original report remain open or open/partially completed and continue to require management attention.

B. Perform a Comprehensive Physical “Inventory” of the Library Collection

Current Status, Follow-Up Audit dated June 2016: During discussions with management, the auditor was notified that necessary measures in preparation of a comprehensive physical inventory are underway, which consists of ensuring the entire library collection is properly tagged. While preparing the library collection, management worked with the Procurement Department to issue a Request for Proposal (RFP), and on April 5, 2016, a RFP was issued to select a vendor to perform an inventory of the entire library collection. At the time of the follow-up audit, a comprehensive physical inventory has not been completed.

Original Audit Observation, Report dated November 2014: The Department’s collection of library items includes books, reference materials, electronic media, DVDs and other resources. The availability of items is tracked in the library application, which also populates the online catalog. The online catalog allows the public to search for items and provides an indication of the status of the items, including whether or not the items are “On Shelf” at a particular location. A core standard of the Florida Library Association states that “the library maintains a current collection of materials by deleting, each year, at least 5% of the total number of items available (as counted at the start of the fiscal year) and by adding each year a percentage to achieve desired levels.”

Performing physical inventories, which would involve checking the library items on the shelves against the application, provides the following benefits:

- Improves the accuracy of the application;
- Provides a basis to estimate loss rates and evaluate physical controls over the collection;
- Identifies locations and items most susceptible to loss;
- Provides a mechanism to replace or remove items from the catalog that the library may not otherwise be aware are missing;
- Facilitates the inspection and evaluation of the condition of materials that are on shelves.

Department personnel stated that such an inventory has not been performed on the library collection.

As part of this audit, items were selected from the Department listing that had a status of “On Shelf” for every location. A sample of 496 library items were selected for inventory, resulting in 6.45% of inventory that could not be located. Excluding the History Center, which we deemed to be an outlier since items are not checked out by patrons, 4.88% could not be located at the designated library. Extrapolated to the population of total on-shelf library items, there may be as many as 38,000 items unaccounted for. Based on average value, 38,000 items equates to \$1,030,000. Appendix B summarizes the items tested and not found by location. Including items already identified as “Missing” per the Department schedule, Appendix A, the total items unaccounted for would be 53,000 with an approximate value of \$1,360,000 (\$1,030,000 + \$330,000).

There were also items identified in the Department listing with unusual locations such as “None” and “Interlibrary Loans.” Additionally, several items in the application did not have titles.

Original Recommendations, Report dated November 2014: To ensure a reasonable level of accuracy of the online catalog and proper monitoring of inventory, the following procedures must be performed:

- Conduct physical inventory of all items;
- Make a policy decision to determine the acceptable rate of exceptions for unaccounted inventory;
- Moving forward, conduct a periodic inventory at all locations. A location that experiences a high loss rate may need counts conducted more often than a location that had very little adjustment as a result of the full inventory. A high loss rate in a particular area, such as DVDs, should be re-assessed for security and control efforts related to those high loss areas.

Management Action Plan:

A Request for Proposal was released by the Procurement Department. However, no bids were submitted. Library Management and Procurement have worked to revise the specifications of the Request for Proposal to increase the probability of receiving bids and the RFP is currently in Procurement waiting to be advertised for four weeks.

In addition, in the event the Request for Proposal process is unsuccessful, Library Management is exploring conducting the inventory in-house using library staff. This would require closing all of the Sarasota County Libraries for a minimum of 3 to 4 days to allow for the inventory of the approximately 938,000 items. A closure of all the libraries at the same time would be necessary as an inventory requires holding the collection static – both to determine what items are currently in the collection, and where they are located and it must remain static for time it then takes to conduct inventory based on the inventory snapshot.

C. Assess Security Controls Over User Access to the Library Application

Current Status, Follow-Up Audit dated June 2016: The auditor requested reports generated and reviewed by management between the dates of August 1, 2015 and January 31, 2016 for the following items:

- Items deleted since the last review,
- Review for unusual patterns by individual or location,
- Report of fees waived and individuals that entered the waivers, and
- Schedule of patron accounts in a status that will prevent the patron from being referred to the collection agency.

Management provided the “Items deleted since the last review” reports for the audit period. Upon review it was determined that the reports did not include the individuals that marked the items for deletion. Management stated that the library application is limited in its ability to track individuals that mark items for deletion. Although, this is a limitation of the application, the reports are still subjected to a thorough review process. That process includes a “review for unusual patterns by location” by each Library Manager, the Technical Services Supervisor, and the Public Services Manager. The Systems Administrator must obtain all approvals prior to deletion from the library application. Only the Systems Administrator deletes items from the system.

Management was unable to provide reports for the audit period for the “fees waived and individuals that entered the waivers”. The auditor determined that procedures for reviewing and monitoring fees waived have not been substantially modified since the original audit.

Management was unable to provide reports for the audit period for the “schedule of patron accounts in a status that will prevent the patron from being referred to the collection agency.” However, the auditor was able to review the most recent generated report and the emails that corresponded to the accounts on the generated report. It was determined that accounts in a status that prevents patrons from being referred to the collection agency is being monitored.

Original Audit Observation, Report dated November 2014: Department personnel at various levels and locations have broad access to the library application. This includes the ability to change the status of inventory items as well as make changes to patron accounts. This creates a risk that the status of an item could be changed inappropriately to conceal misappropriated library items. Patron accounts can also be changed by various levels of personnel creating a risk that accounts could be inappropriately placed into a status that prevent an account from being sent to the collection agency.

Currently, monitoring status changes of inventory and accounts is informal and would not likely detect erroneous modifications to items or accounts.

Original Recommendations, Report dated November 2014: To ensure that the status of items and patron accounts are appropriately controlled, the ability to perform sensitive changes must be limited. Additionally, the Department must ensure that status changes are reported to library management and monitored. Monitoring procedures should include documenting regular management reviews of the following information:

- Items deleted since the last review - This report should include the listing of all items deleted since the last time deleted items were reviewed, including the item number, title, and description, the date added to inventory, the date deleted, the individual that deleted the item, and notes explaining why the item was deleted.
- Review for unusual patterns by individual or location – This review should include, but not be limited to, including individuals or locations with higher than expected rates of deletion; items that have been added and deleted in the same year should also be performed.
- Report of fees waived and individuals that entered the waivers - This report should be reviewed on a regular basis by management evaluating individuals who have a pattern of waiving fees, and waivers that appear unusual.
- Schedule of patron accounts in a status that will prevent the patron account from being referred to the collection agency - This report should include account (card) numbers, addresses, account balances, the dates the accounts were put into the status, the individual who changed the status and any remarks explaining why the accounts were changed.

The Department was unable to provide the information described above for this audit.

Management Action Plan:

Management agrees with the recommendations. Standard Operating Procedures have been developed to ensure regular monitoring at the Branch Level and at the Management Level for items marked for deletion, fines waived review, and review of patrons in a non-collection status. Reviews are being completed at the Branch Level and reviewed monthly during Library Management Meetings.

D. Reconcile Daily Deposits to Transactions Recorded in the Library Application

Current Status, Follow-Up Audit dated June 2016: The Libraries department has strengthened their policies and procedures for cash handling by implementing daily reconciliation of amounts collected to amounts recorded within the application. The policies and procedures outline three roles, a cashier, a verifier, and a reconciler. At the end of each shift, the cashier is to separate the shift collections from the change fund, print a report for the cash activity and of all fines collected, prepare the daily deposit, and document any overages or shortages. At the end of the day the libraries manager/designee is required to sign the daily deposit reconciliations, to confirm that any discrepancies have been documented to their satisfaction.

Additionally, cash management training was held by the department on five (5) different dates between April 22, 2015 and July 1, 2015. A total of 132 Libraries employees were listed on the cash management training sign in sheets provided by the department. The cash management training presentation included handouts for staff and one of the training sessions was recorded to assist with training of new employees.

The auditor selected a random sample of ten (10) days from each of the eight (8) library locations that collect payments from patrons, from the month of August 2015. Of the 80 daily deposit reconciliations under review, the auditor identified issues relating to non-compliance with Policies and Procedures and Segregation of Duties:

Issues related to non-compliance

- Seven (7) instances where an individual had a shift as a cashier and also signed as the reconciler,
- Seven (7) instances where the manager/designee did not sign off on the reconciliation,
- Five (5) instances where an over/shortage occurred, but the cashier's name was not included within the description of the Receipt for Deposit of County Funds form in accordance with Accounting Policies and Procedures, Chapter 9.6 *Cash Over and Short*, and
- Two (2) instances where an over/shortage occurred, but the over/shortage was not documented as an over/shortage on the Receipt for Deposit of County Funds form in accordance with Accounting Policies and Procedures, Chapter 9.6 *Cash Over and Short*.

Issues related to segregation of duties

- Six (6) instances where the manager/designee was signed off on by someone that had a register shift earlier on that day, and
- Two (2) instances where the same individual signed as both the reconciler and the manager/designee.

Although daily reconciliations are being routinely performed, there are still areas where policies and procedures are not being complied with and areas where controls related to segregation of duties could be enhanced.

Original Audit Observation, Report dated November 2014: The library locations collect payments for overdue fines, non-resident library card fees, replacement costs for damaged/unreturned items, donations and other miscellaneous items. Amounts collected at each location are submitted with a daily report from the application detailing the receipts. The amounts remitted may be different from the amounts recorded in the application. These differences are not reconciled as part of the cash receipt process.

It is important to balance the receipts of the day with the receipts in the application. This control helps to ensure that all activity is recorded properly and there are controls in place to safeguard County assets.

Original Recommendations, Report dated November 2014: To ensure all activity is recorded properly, library personnel at each location must be trained to “balance” the amounts received and submitted for deposit with what has been entered in the library application. Any differences must be documented and researched at the location prior to submitting the deposits and support. Amounts that cannot be reconciled should be regarded as an overage or shortage and handled in accordance with Accounting Policies and Procedures, Chapter 9.6 *Cash Over and Short*.

Management Action Plan:

Management agrees with the recommendations. The SOP for Cash Management has been revised to include the addition of the name of the cashier on the Receipt for Deposit of County Funds form in the instance of Cash Over and Short.

Each library staff member is required to complete both the Library Cash Management Training and the Clerk of Court Cash Management Training annually.

The Public Services Manager/ or Designee conducts cash management audits at each of the libraries periodically.

E. Review Invoices for the Collection Agency Fees before Approving Payment

Current Status, Follow-Up Audit dated June 2016: The auditor requested a list of all collection agency invoices that were approved between the dates of August 1, 2015 and January 31, 2016, and the corresponding monthly reconciliations. Upon reviewing the invoices and reconciliations provided, the auditor identified that a reconciliation is not being performed between the collection agency's invoice and the Library department's list of patrons submitted to the collection agency.

Original Audit Observation, Report dated November 2014: The collection agency that provides collection services to the County is compensated at a rate of \$7.95 per account submitted. Monthly invoices from the agency reflect the number of accounts submitted and the resulting charge. The invoice is approved for payment without verifying the number of accounts submitted against the information in the library application. This creates a risk that erroneous amounts could be paid to the collection agency.

Original Recommendations, Report dated November 2014: To ensure that the invoices received from the collection agency are accurate prior to payment, a procedure must be designed and implemented to reconcile the billable accounts as recorded in the library application.

Management Action Plan:

Library Administration had developed a process for reviewing the number of accounts sent to the collection agency and comparing the number of accounts sent to the number of accounts billed by the agency. This was being completed monthly by the Budget Analyst in Library Administration based on information that was sent by the Library System Administrator. This audit follow up determined that the data being used to review against the invoice was actually notification from the Collection Agency on the number of accounts that Library Administration had sent and was not the actual data collected from the library application.

A Standard Operating Procedure has been developed to reconcile the information from the Library Management System that is transmitted to the agency against the invoices generated by the agency. These reconciliations will be reviewed monthly during Library Management Meetings Financial Review.

G. Improve Tracking and Monitoring of Outstanding Fees Due to the County

Current Status, Follow-Up Audit dated June 2016: The auditor requested and reviewed County Resolution No. 2015-182 and related supporting documentation, monthly reconciliations of collection agency invoices between August 2015 and January 2016, and managements evaluation of internal and external collection processes against current industry standards.

Upon review of available information the auditor determined that the department is tracking amounts due to the department, including losses incurred related to unreturned items, and collection fees associated with the collection effort. Additionally, the department reviews amounts due and the age of the accounts receivable annually prior to the year end write-off of uncollectible accounts. The department has not performed a thorough evaluation of internal and external collection processes against current industry standards, however, the collection agency has been approved as a single source vendor.

The department is not periodically reconciling between the collection agency's report of total accounts in collection to those identified within the library application as remaining in the collection process. Additionally, the department has not developed a written procedure and included it within the Policy and Procedure Manual.

Original Audit Observation, Report dated November 2014: Various efforts are made to encourage the return of over-due materials and the collection of associated fines. While collection procedures appear to have been consistently followed, the efforts rely heavily on the application and the collection agency. There is no formal monitoring of outstanding accounts. For example, a schedule of all past due account balances with the dates the amounts were assessed on the accounts was requested for this audit. A report with this information is not generated or reviewed.

Original Recommendations, Report dated November 2014: To ensure monitoring of outstanding accounts, the Department must perform the following procedures:

- Track amounts that are due to the Department, losses incurred related to unreturned items, and collection fees associated with the collection effort;
- Develop and implement a procedure to periodically reconcile the library application and reports obtained from the collection agency's report;
- Regularly review an "aging" of amounts due to the Department. The report should include the amount due and length of time the balances have been outstanding;
- Evaluate internal and external collection processes against current industry standards.

Related recommendations are included in this report regarding waiving fees and establishing payment plans.

Management Action Plan:

In addition to the monthly reconciliation of accounts sent to the Collection Agency to the monthly invoice, Library Administration periodically conducts a sync report with the collection agency to determine that the agency and the library application have the same data on accounts in collection. This reconciles a report from the collection agency with a report from the library application for all accounts in collections. These are always performed before an upgrade to the Library Application. A Standard Operating Procedure has been developed for this process and will be included in the Policy and Procedure Manual.

The Collection Agency has been approved as a single source vendor, should this not be so in the future Library Administration will perform a thorough evaluation of internal and external collection processes against then current industry standards.

Because the outstanding accounts are constantly changing in the library management system, with accounts being paid, and new accounts rolling into overdue hourly, Library Administration runs a report on all outstanding items annually.

I. Improve Procedures for Adjusting and Waiving Charges

Current Status, Follow-Up Audit dated June 2016: The auditor was provided a report from the library application that included all waivers (10,807) and all adjustments (1,616) entered between the dates of August 1, 2015 and January 31, 2016. Of those, 7,516 waivers (or 69.5%) totaling \$29,367.75 and 1,616 adjustments (or 100%) totaling \$7,173.74, did not include a reason. The auditor determined that procedures for analyzing and monitoring waivers and adjustments of fees have not been substantially modified since the original audit.

Original Audit Observation, Report dated November 2014: The Procedure Manual provides that fines can be adjusted by circulation personnel for the following patron extenuating circumstances: illness, shut-in, nursing homes, retirement centers, volunteers, death, hospitalization, mentally challenged and bereavement. The Procedure Manual does not require the patron to provide documentation to substantiate the circumstances.

Of the 25 accounts selected for testing with waivers:

- 14 accounts did not have notes documenting the reason for waiver;
- 4 accounts had the reasons noted, however, the reasons were not consistent with the extenuating circumstances described in the Procedure Manual;
- 7 accounts had reasons noted that were consistent with the Procedure Manual.

Based on testing and inquiries of Department personnel, the employee granting the adjustment has discretion for the amount to waive. Adjustments are not formally reviewed or monitored by management. The current process creates a risk of inconsistent treatment of patrons and unsubstantiated write-off amounts owed to the County.

Original Recommendations, Report dated November 2014: In order to ensure consistent treatment of patrons and adequate documentation to support adjustments to amounts owed, the Department must re-evaluate its waiver standards and retrain the responsible designees regarding the waiving of fines. All waivers must be properly authorized and monitored for compliance.

Management Action Plan:

A Standard Operating Procedure has been developed for reviewing Fines Waived during the monthly Financial Review at the Library Management Team.

Training on the process at the Operations Team was conducted in April 2016 and the notes on the training were distributed to all staff.

The current automated system does not allow for selection of a reason under certain circumstances . For example: items returned during periods of time when the automated check-in system is not functioning are collected until the system resumes functioning. All the items are then run through the machine using an option that does not charge fees for the time that the machine was not functioning. Those items would all display as having “no reason” for being waived. The new Library Systems Administrator and the Technology Coordinator will work with the application’s vendor to seek to eliminate instances where the software prevents the selection of a reason for fine adjustment.

The Public Services Manager will follow up on the selection of each and every “Other” selection for a fine adjustment.

J. Evaluate and Document Approved Collection Methods

Current Status, Follow-Up Audit dated June 2016: During the May 8, 2015 Management Team Meeting, the department held a conference call with the vendor handling the collections process and discussed the possibility of reporting delinquent accounts to the credit bureau. Upon conclusion of the discussion, the managers unanimously voted to continue with the current agreement, which is to not send delinquent accounts to the credit bureau. However, this decision has not been documented within the department's Policy and Procedure Manual.

Original Audit Observation, Report dated November 2014: When a patron's account is referred to the collection agency, they attempt to collect the past due materials or fines for the department. If the agency is unsuccessful in obtaining the past due materials or fines for a period of 120 days, the collection agency offers the service to submit the patrons' information to a credit bureau. However, during testing, the auditor determined that the department has requested that the collection agency not report to the credit bureau.

Original Recommendations, Report dated November 2014: A policy decision must be made regarding the reporting of delinquent accounts to the credit bureau. The decision must be documented in the Department's policies and procedures.

Management Action Plan:

The decision will be documented in the department's Policy and Procedure Manual.

K. Comply with Accounting Policies and Procedures, Chapter 9.10 Uncollectible Accounts Receivable

Current Status, Follow-Up Audit dated June 2016: The auditor reviewed the Office of Financial Management’s request to write-off uncollectible accounts receivable for the Library department and the approved County Resolution No. 2015-182. This resolution approved the department to write-off uncollectible accounts between fiscal years 1998 and 2013, totaling \$1,619,368.73. This was the first time the department had submitted uncollectible accounts to be written off.

Although the department has complied with the Accounting Policies and Procedures, Chapter 9.10 *Uncollectible Accounts Receivable*, written procedures for ensuring that this process is performed annually has not been documented within the department’s Policy and Procedure Manual.

Original Audit Observation, Report dated November 2014: Accounting Policies and Procedures, Chapter 9.10 *Uncollectible Accounts Receivable* states “It is the responsibility of any business center that generates accounts receivable to enforce collections of the receivables and to submit uncollectible accounts to the Board of County Commissioners to be written-off”. The Department currently does not have any written procedures to identify accounts that should be considered uncollectible and then written-off.

There were 73,000 items with a value of \$1,350,000 recorded in the library application as being “Billed” as well as numerous patron accounts with the collection agency that have not been collected on as of the end of the fieldwork. Department personnel indicated that accounts not paid off remain open at the collection agency and are never removed from the database.

Original Recommendations, Report dated November 2014: In order to ensure compliance with Accounting Policies and Procedures, Chapter 9.10 *Uncollectible Accounts Receivable*, the Department must develop written procedures to identify accounts that are uncollectible and subsequently present them to the Board of County Commissioners to be written-off. This procedure will allow for proper decision making and financial presentation.

Management Action Plan:

Library Administration will create a Standard Operating Procedure and include this in the Policy and Procedure manual.



CLOSED CONDITIONS AND FOLLOW-UP RESULTS

A. Display Library Items that are Expected to be Available

Current Status, Follow-Up Audit dated June 2016: The department has developed and implemented a procedure to regularly suppress items with statuses that are not valuable for online viewing. This procedure also includes the un-suppression of items in the online catalog once they become available.

The auditor randomly selected ten (10) suppressed items and ten (10) unsuppressed items from populations provided by the Systems Administrator that included items suppressed and un-suppressed between the dates of March 4, 2016 and April 7, 2016. Results of the testing performed indicated that the procedures related to suppression of unavailable items and un-suppression of items that have become available, are functioning as intended.

To keep track of suppressed and un-suppressed items, the Systems Administrator maintains a Schedule of Frequency, which is a document that includes the action performed (suppression or un-suppression), the date performed, the file type, record status, the number of items located, the number of items suppressed, the number of items un-suppressed, and the person that performed the action. This schedule serves an important function, as it provides a summary of the items that were identified and suppressed or un-suppressed.

Original Audit Observation, Report dated November 2014: The public as well as patrons of the libraries are able to view items in the Library's collection through the Library's online catalog. The online catalog lists all items in the Library's collection including items that are designated as "Missing" and items for which patrons have been "Billed" but not yet paid for by the patron. As a result, several items in the online catalog are not actually available to be checked out by patrons. Department personnel stated that the ability to see these items causes frustration for patrons who may be waiting for items to become available that may never be put back into circulation.

While there are managerial reasons to maintain the history of these items and the related accounts, only items available to patrons should be displayed in the online catalog.

Original Recommendations, Report dated November 2014: To ensure that the online catalog displays only items that are currently available, we recommend that the Department determine which statuses are not valuable for online viewing. For items that are not likely to become available again, a policy decision must be made on the best process to address these items, and thereby reduce patron frustration and avoid spending staff time responding to requests for such items.

F. Formalize Evaluation of Collection Services

Current Status, Follow-Up Audit dated June 2016: The Procurement Manual, Chapter 7.11.A, defines a Single Source vendor as “a procurement made without a competitive process due to the need for standardization, maintenance of warranty or other factors, even though other competitive sources may be available.” All Single Source procurement requests require the submission of a Single Source Request Form and is subject to review by the Procurement staff and approval by the Procurement Official. Approved Single Source requests remain valid for a period of twelve months.

The auditor obtained the Single Source Request Form approved by the Procurement Official on September 29, 2015. The justification for the single source request on the form states that, “This is the only collections agency which works exclusively with libraries and does not require the Library System to provide confidential information about patrons. Because of [the vendor’s] flexibility with the Library System’s patron and collection databases, complete privacy is maintained for patrons. [The vendor] does not collect title information”. Since patron confidentiality is a priority for management and the Single Source Request Form was approved by the Procurement Official, it appears that the use of this vendor is appropriate given the circumstances.

Original Audit Observation, Report dated November 2014: When a patron’s account reaches a value of \$25 or more in overdue materials and fines combined, and the account has had this balance for more than 60 days, the account is referred to the collection agency. The Department has utilized the same collection agency for library collections services for more than 10 years.

The Department has deemed the collection agency a “single source” provider because of their ability to electronically receive account information directly from the library’s application. This allows library personnel to focus on other matters and incur minimal time related to past-due accounts once they are referred to the agency. While this may be a benefit, it does not necessarily mean that the current process continues to be the best option for the Department.

The current collection agency charges the Department based on a set rate per account, not based on an established success rate or percentage of amounts collected as seen in other industries. In addition, the Department does not verify the return on investment (ROI) from using the collection agency. ROI reports are provided by the collection agency illustrating the amounts recovered (Appendix C). The collection agency includes in the reports a “recovery total”. This total is made up of cash and material recovery as well as waived fines. The recovery rate should be compared to the Department’s expected recovery rates based on industry benchmarks.

Original Recommendations, Report dated November 2014: To ensure that appropriate procedures are put in place to monitor outstanding accounts, the success rate of the collection agency and the costs of collection efforts, a formal evaluation is recommended. The evaluation should consider:

- The services performed by other collection agencies and the associated costs in comparison to the current collection agency.
- Performance of collection duties by internal staff. Examples include sending collection letters, making phone calls, and searching for current addresses for returned letters.

H. Strengthen Procedures for Authorizing, Creating and Monitoring Payment Plans

Current Status, Follow-Up Audit dated June 2016: The Department adopted a formal policy to no longer allow patrons to pay for fines and materials over time. The auditor reviewed the information on file for the thirteen (13) prior patron accounts and determined that they were no longer extended a payment plan.

Original Audit Observation, Report dated November 2014: The Department does not have a formal policy for allowing patrons to pay for fines and materials over time. Practices vary by library location. Patrons can verbally request to establish a payment plan at any location. It is the discretion of library managers and supervisors at the location to grant a payment plan. There are no formal guidelines outlining the circumstances required to establish a payment plan, terms of repayment, and the process for establishing a payment plan for accounts sent to the collection agency. Current documentation of payment plan approval, including terms and rationale are entered as notes into the application at the time the plan is created. The detail in the notes varies as there is no standard requirement.

Once an account has been approved for a payment plan, the status of the account is changed resulting in the account not being referred to the collection agency. Formal monitoring to ensure that the patron is making the agreed upon payments is not performed. Informally, a member of the Department personnel periodically (approximately once a year) reviews payment plan accounts. This individual judgmentally determines which accounts will be referred to the collection agency based on the amount of time without any payment activity.

At the time of the audit, there were 13 patron accounts using payment plans for a total outstanding balance of \$1,095. A schedule of payment plans entered into during the audit period could not be produced for this audit.

Original Recommendations, Report dated November 2014: Formal procedures for the authorization, creation and monitoring of payment plans are needed to ensure consistency across all locations. Procedures must address:

- When/if a payment plan is appropriate;
- Documentation to be obtained to support the payment plan decision;
- Who has the authority to approve a payment plan;
- Guidelines on the terms of payment plans;
- Documentation of the patron agreeing to the payment plan terms;
- Verification of payment plan status in the library application;
- Position(s) responsible for monthly monitoring of payment plans;
- Action steps taken when patrons do not adhere to the repayment schedule.





APPENDIX A

Following is the original *Audit of Library Inventory and Collection Process* dated November 2014.