



Performance Audit

Public Library Cash Handling Practices

Durham County Internal Audit Department

May 28, 2013



COUNTY OF DURHAM

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May 28, 2013

Tammy Baggett, Library Director

Internal Audit has completed its audit of internal controls related to cash handling processes at Durham County Library. We conducted this audit because the County Public Library handles cash from several sources and has not been the subject of a recent audit. Our objectives were to determine if internal controls are sufficient to reasonably assure that (a) cash is accurately and reliably accounted for, (b) secured, (c) deposited, (d) reconciled, and (e) reported.

Our conclusion is that some internal controls need strengthening. We made several recommendations to enhance controls. Recommendations include incorporating procedures to:

1. Record and reconcile cash and receipts daily.
2. Separate the recording, deposit preparation, and ledger reconciliation functions.
3. Secure cash in a way that unauthorized persons such as those tasked with recording cash do not have further access to the cash.

The County's Finance Department should be used as necessary to facilitate implementation of the recommendations.

Our audit scope included all library locations and revenue generated in 2012. To reach our conclusions we:

1. Interviewed library staff responsible for cash handling and employees engaged in the cash handling process.
2. Reviewed current cash handling policy, procedures, and practices.
3. Compared the libraries' cash handling practices with best practices.
4. Observed cash handling processes during the recording process.

This Performance Audit was conducted in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions

based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The mission of the Durham County Library is to “provide to the entire community books, services and other resources which inform, inspire learning, cultivate understanding and excite the imagination.” The library offers services such as providing space for meetings as well as providing books, tapes, and other educational and information services. To conduct its mission the library has eight locations including the main library located in downtown Durham.

Some library services require a fee and some services, for example, loaned books and materials require payment of fines when patrons exceed time limits for the loan period. Each branch can accept fees and fines and each branch is responsible for accounting for its revenue. Total revenues for provided services amounted to \$307,836 in calendar year 2012.

The above revenue was obtained through several sources. They are:

1. library fines - \$207,990
2. lost and paid fees - \$17,098
3. non-resident fees - \$9,294
4. meeting room fees - \$6,909
5. printing, copying and fax services - \$66,539
6. Cash overage - \$6

What We Found

Several improvements are needed to achieve an effective system of cash handling controls. Segregation of duties, security procedures require improvements to achieve the effectiveness required to reasonably assure that financial reporting is accurate and reliable. Additionally all cash should be recorded daily and reconciled with receipts.

Segregation of duties in recording, depositing and reconciling processes was not evident at several locations. At North, East, and South regional libraries one individual working alone reconciled receipts with cash, prepared deposit documents, made deposits, and reported to the County’s Finance Department. Because the cash register tapes are provided along with the deposit receipts, some controls are built into the system. However, for services such as printing, photocopying, and faxing where cash register receipts are not provided, segregation of duties is more essential to reasonably assure cash is properly accounted for. In these instances, library representatives should work with finance department representatives to assure that control processes are adequate to reasonably assure that revenue is appropriately accounted for.

Asset Security was not Adequate. All locations secure their funds inside locked file cabinets, drawers, or safes. At some locations, keys to the cabinets and drawers are left unsecured during operating hours. In one case the key was left on the manager’s desk during the day and at another location, the key remained in the cabinet key slot throughout the day.

This practice of not securing keys provides an opportunity for unauthorized access to cash. It is not likely that persons other than library employees have access to Managers’ offices; however access

to cash should be limited. Once cash is taken in and recorded, people responsible for cash intake should no longer have access to it. Therefore, leaving keys unsecured creates a condition in which funds are not secure.

To remedy this weakness, we recommend that only the necessary persons be given access to cash after it has been collected and accounted for. Keys should be secured and only made available to those with specific needs for access.

All cash is not accounted for daily. Cash is allowed to accumulate in cash drawers for up to a month before it is recorded and deposited at smaller locations. Cash is also allowed to accumulate for several days in cash machines at all locations. This practice is not out of compliance with statutes at smaller locations because the amounts are miniscule. However, at larger locations, cash from cash machines should be collected and deposited each day to adhere to the statute. Even though smaller locations are not out of compliance, cash should be accounted for daily, even it is not deposited, in order to strengthen controls and lessen the risk of loss and theft.

For more information, please contact Richard Edwards, Internal Audit Director, by phone at 919-560-0042 or by email at rcedwards@dconc.gov.



TO: Richard Edwards
Internal Audit Director

FROM: Tammy Baggett *T. Baggett*
Library Director

DATE: May 22, 2013

SUBJECT: Internal Cash Handling Audit

Dear Mr. Edwards,

Thank you for a detailed report of controls related to cash handling processes at Durham County Library. The report clearly demonstrates that past methods of handling cash is not efficient and best practices need to be adopted.

I concur with the report and necessary steps have begun to implement suggested changes. It's my hope that the findings of fault are not daily practices of staff. However, every step necessary will be taken to assure that we fulfill the recommendations of the Internal Audit Department.

This report affords us the opportunity to improve an important aspect of responsibilities performed by staff of Durham County Library. We will also seek advisement from the County's Finance Department. Taking such steps will guarantee the following steps are performed with accuracy:

1. Record and reconcile cash receipts daily.
2. Separate the recording, deposit preparation, and ledger reconciliation functions.
3. Secure cash in a way that unauthorized persons such as those tasked with recording cash do not have further access to the cash.

Proper guidelines should be complete within the next forty five (45) days. As stated earlier the County's Finance Department will be used as necessary to help facilitate necessary implementation.

Again, thank you for your assistance. Should you have further questions please contact me at 919.560.0160.

Tammy