

OFFICE OF THE CITY CONTROLLER



LIBRARY DEPARTMENT

PLEASANTVILLE BRANCH

CASH HANDLING PROCEDURES AUDIT

Annise D. Parker, City Controller

Steve Schoonover, City Auditor



OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

ANNISE D. PARKER

April 1, 2004

The Honorable Bill White, Mayor
City of Houston, Texas

SUBJECT: Library Department – Pleasantville Branch
Cash Handling Procedures Audit (Report No. 04-04)

Dear Mayor White:

The City Controller's Office Audit Division has completed an audit of the cash handling procedures at the Library Department's Pleasantville Branch (Branch) for the period of July 1, 2002 through October 31, 2003. The primary purpose of the audit was to assist management with the assessment of the adequacy of internal controls related to the overall cash handling process. In addition, the audit evaluated compliance with the City's Cash Handling Policies and Procedures (AP 2-17).

The report, attached for your review, concludes that internal controls over the cash handling procedures at the Branch are adequate to provide management with reasonable assurance that the funds are properly safeguarded and managed in compliance with AP 2-17 except for the findings noted in the body of the report. Draft copies of the matters contained in the report were provided to the appropriate officials. The views of responsible officials as to actions taken are appended to the report as Exhibit I.

We appreciate the cooperation extended to our auditors by Library Department personnel during the course of the audit.

Respectfully submitted,

Annise D. Parker
City Controller

xc: City Council Members
Michael Moore, Chief of Staff, Mayor's Office
Anthony Hall, Chief Administrative Officer
Barbara Gubbin, Director, Library Department
Judy Gray Johnson, Director, Finance and Administration Department

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SCOPE AND PURPOSE

We have completed an audit of the cash handling procedures at the Pleasantville Branch Library for the period of July 1, 2002 through October 31, 2003. The audit's objective was to assist management with the assessment of the adequacy of internal controls related to the overall cash handling process. In addition, the audit evaluated compliance with the City's Cash Handling Policies and Procedures (AP 2-17).


The scope of our work did not constitute an evaluation of the overall internal control structure of the Department. Our examination was designed to evaluate procedures and internal controls related to the City's cash handling procedures, test for compliance therewith and provide recommendations for improvement where appropriate. This was a financial related audit executed in accordance with Generally Accepted Government Auditing Standards.

Departmental management is responsible for establishing and maintaining a system of internal controls to adequately safeguard cash as an integral part of the Department's overall internal control structure. The objectives of a system are to provide management with reasonable, but not absolute, assurance that cash is safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected in a timely fashion. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate.

CONCLUSION

Based on the results of our audit, we conclude that internal controls over the cash handling procedures at the Pleasantville Branch Library are adequate to provide management with reasonable assurance that these funds are properly safeguarded and managed in compliance with AP 2-17 except for the findings presented in the body of the report



Dennis Frazier
Auditor-in-charge



Kenneth Teer
Audit Manager



Steve Schoonover
City Auditor

INTRODUCTION

The Pleasantville Branch Library (Branch) is a small branch library that provides circulation services, reference and research assistance and a variety of literacy programs. The library has been open for approximately twenty-nine years serving its patrons approximately 40 hours each week. The library collects fines for overdue items, charges for lost and paid items, processing fees associated with lost and paid items, non-resident semi-annual and annual memberships, and other services. Fees are received in the form of cash, credit card transactions, personal and business checks, money orders, and cashier checks.

I. LACK OF SUPERVISORY REVIEW

BACKGROUND

The Pleasantville Branch Library uses a cash register to record cash receipts. The cashier reconciles the deposit slip with the cash register tape for the money they received. Messengers transport the cash in locked money bags to the Business Office of the Central Library. A bill of receipt is completed by the branch personnel noting the branch employee releasing the bag and is signed for by the messenger. The messenger adds the information to the messenger check-in form and the branch employee initials the form. The messenger sheet with the bill of receipt, bag and deposit slip are turned into the business office at the Central Library and are checked off by a business office employee as received. A Central Library employee fills out a daily deposits summary report for cash and credit cards received from all branches and also a deposit ticket for all funds received.

A. Branches

FINDING

The City's Administrative Procedure 2-17, Section 12 requires review and approval of a Cashier's daily cash reconciliation form by a Senior Cashier. We saw no evidence that the Pleasantville Branch daily cash reconciliation form is reviewed and approved. Such review and approval helps detect errors and discourages misappropriation and theft.

RECOMMENDATION

We do not believe the volume and amounts of cash transactions at the Pleasantville Branch justifies employing a Senior Cashier, however to improve control over cash collections, an individual with supervisory authority at the Pleasantville Branch should review and approve the Cashier's daily cash reconciliation.

B. Central Library

FINDING

There was no indication of supervisory review of the daily deposits summary report prepared at the Central Library. Further, the report is very difficult to reconcile with the daily branch deposit ticket because the summary does not distinguish cash from credit cards.

RECOMMENDATION

To enhance the proper collection, reporting, and safeguarding of revenues, Library Management should include columns on the daily deposits summary report for cash and also credit cards. It would then be easier to reconcile the branch deposit ticket to the daily deposits summary report.

II. CHANGE FUND SURPRISE AUDIT

BACKGROUND

A change fund of \$25.00 is maintained at the Pleasantville Branch Library. AP 2-17 requires that an unscheduled audit be performed on all change funds at least twice a year.

FINDING

Surprise and/or unscheduled audits of the change fund at the Pleasantville Branch Library are not conducted in accordance with AP 2-17. Potential errors or irregularities can be detected and corrected timely if surprise or unannounced audits are conducted periodically.

RECOMMENDATION

We recommend that the department conduct surprise or unscheduled audits of the change fund at least twice a year as required by AP 2-17.

EXHIBIT I



CITY OF HOUSTON

Library Department

Interoffice

Correspondence

To: Annise Parker
City Controller

From: Barbara Gubbin
Director

Date: March 16, 2004

Subject: **RESPONSE TO CASH HANDLING
AUDIT PLEASANTVILLE BRANCH
LIBRARY**

This memorandum is to provide the Library's plan of action responsive to the recommendations provided in the Audit of Cash Handling at the Pleasantville Branch Library conducted by the City Controller's office. Our response is as follows:

I. Lack of Supervisory Review

A. Branches

We agree that supervisory authority should review and approve the daily cash reconciliation. Effective January 6, 2004, the Pleasantville branch manager or designated manager, reviews and authorizes each daily deposit form.

B. Central Library

We agree with the recommendation of including separate columns to denote cash and credit cards. The addition of an approval/authorization line item documents the approval process on each electronic spreadsheet. Hard copies of the authorized deposit records will be maintained on file in the Business Office. Please see attached worksheet.

II. Change Fund Surprise Audit

We agree with recommendation and are currently implementing surprise cash audits with branch libraries. A standardized checklist will be utilized at all our library branches. We will review our internal controls at each branch location to ensure that they are in compliance with administrative procedures. Please see attached checklist.

Cc: Sahira Abdool, Deputy Director, Houston Public Library
Toni Lambert, Deputy Director, Houston Public Library
Steve Schoonover, City Auditor
Kenneth Teer, Audit Manager, City Controller's Office
Helen McDonald, Division Manager, Houston Public Library

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CONTROLLER'S

**Views of Responsible
Officials**

EXHIBIT I

Daily Deposit Record

Month:
Day: 1st

	Branch/ Unit	Fines	Copying & Faxing	Non- Resident Library Card	Misc.	Credit Cards	TOTAL
1	BST						-
2	TXR						-
3	CIR						-
4	HUM						-
5	SOC						-
6	FAR						-
7	ACR						-
8	ALI						-
9	BLU						-
10	BRA						-
11	CAR						-
12	COL						-
13	DIX						-
14	FIF						-
15	FLO						-
16	FRA						-
17	HEI						-
18	HILL						-
19	JOH						-
20	JUN						-
21	KAS						-
22	KEN						-
23	LAK						-
24	LOO						-
25	MAN						-
26	MEL						-
27	MEY						-
28	MON						-
29	MOO						-
30	OAK						-
31	PAR						-
32	PLE						-
33	RIN						-
34	SCE						-
35	SMI						-
36	STA						-
37	TUT						-
38	VIN						-
39	WAL						-
40	WES						-
41	YOU						-
	TOTAL	-	-	-	-	-	-

Views of Responsible
Officials

GRAND TOTAL -

REVIEWED & APPROVED:

Division Manager

EXHIBIT I

Daily Deposit Record - Monthly Total

Month:

	Branch/ Unit	Fines	Copying & Faxing	Non- Resident Library Card	Misc.	Credit Cards	TOTAL
1	BST	-	-	-	-	-	-
2	TXR	-	-	-	-	-	-
3	CIR	-	-	-	-	-	-
4	HUM	-	-	-	-	-	-
5	SOC	-	-	-	-	-	-
6	FAR	-	-	-	-	-	-
7	ACR	-	-	-	-	-	-
8	ALI	-	-	-	-	-	-
9	BLU	-	-	-	-	-	-
10	BRA	-	-	-	-	-	-
11	CAR	-	-	-	-	-	-
12	COL	-	-	-	-	-	-
13	DIX	-	-	-	-	-	-
14	FIF	-	-	-	-	-	-
15	FLO	-	-	-	-	-	-
16	FRA	-	-	-	-	-	-
17	HEI	-	-	-	-	-	-
18	HILL	-	-	-	-	-	-
19	JOH	-	-	-	-	-	-
20	JUN	-	-	-	-	-	-
21	KAS	-	-	-	-	-	-
22	KEN	-	-	-	-	-	-
23	LAK	-	-	-	-	-	-
24	LOO	-	-	-	-	-	-
25	MAN	-	-	-	-	-	-
26	MEL	-	-	-	-	-	-
27	MEY	-	-	-	-	-	-
28	MON	-	-	-	-	-	-
29	MOO	-	-	-	-	-	-
30	OAK	-	-	-	-	-	-
31	PAR	-	-	-	-	-	-
32	PLE	-	-	-	-	-	-
33	RIN	-	-	-	-	-	-
34	SCE	-	-	-	-	-	-
35	SMI	-	-	-	-	-	-
36	STA	-	-	-	-	-	-
37	TUT	-	-	-	-	-	-
38	VIN	-	-	-	-	-	-
39	WAL	-	-	-	-	-	-
40	WES	-	-	-	-	-	-
41	YOU	-	-	-	-	-	-
	TOTAL	-	-	-	-	-	-

GRAND TOTAL -

REVIEWED & APPROVED:

Division Manager

Views of Responsible
Officials

EXHIBIT I

Houston Public Library Standardized Checklist for Unannounced Change Fund Audits

- 1. Arrive at the Branch Library prior to the opening of the safe and/or locked drawer.*
- 2. Identify yourself and notify branch management of the purpose of your visit.*
- 3. Determine whether the change fund amount agrees to the assigned amount per the Controller's Office.*
- 4. Ascertain that the change fund is secured in a locked safe and/or locked drawer and that access is limited to only authorized personnel.*
- 5. Assess that the change fund is the appropriate amount for the applicable library. Inquire with personnel as to the adequacy of the change fund.*
- 6. Document the change fund cash count with the signature of library personnel.*

**Views of Responsible
Officials**