



# COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX  
COLLECTOR • PUBLIC ADMINISTRATOR

## **Library Cash Procedures & Internal Control Review**

**July 2014**

**JAMES P. ERB, CPA  
Auditor-Controller  
Treasurer-Tax Collector-Public Administrator**



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TO: CHRISTOPHER BARNICKEL, LIBRARY DIRECTOR

FROM: JAMES P. ERB, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR

DATE: JULY 7, 2014

SUBJECT: CASH PROCEDURES AND INTERNAL CONTROL REVIEW OF THE LIBRARY  
CONDUCTED ON DECEMBER 12-18, 2013 AND JANUARY 7-8, 2014

Our office has completed a cash procedures and internal control review of the Library that took place in December 2013 and January 2014.

## Purpose

The purpose of our review was to determine compliance with the County Auditor-Controller's Cash Handling Policy, to establish accountability for the cash on hand at the time of the review, and to determine compliance with the County Information Technology (IT) Acceptable Use Policy Acknowledgement signature requirements.

## Scope

The scope of our review included cash and receipts on hand at the Library's various locations on December 12, 13, 14, 17 or 18, 2013; and January 7 or 8, 2014 as well as deposits for the prior three months. Additionally, we reviewed the department's depository accounts and Cal-Card activity. County IT Acceptable Use Policy Acknowledgements signed in the past calendar year were also sampled and examined.

## Methodology

We conducted our review in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The International Standards for the Professional Practice of Internal Auditing require that the internal audit activity be independent and internal auditors be objective in performing their work. The Standards also require that internal auditors perform their engagements with proficiency and due professional care; that the internal audit function be subject to a program of quality assurance; and that the results of engagements are communicated.

Our review included physically counting all cash on hand and reconciling the amount to the department's accountability figures. We examined cash receipts and compared the amounts to the corresponding receipts total and to the subsequent deposit. Our review also included an

evaluation of internal controls over cash receipts and Cal-Card activity. Our evaluation of internal controls was limited to inquiries of departmental staff and direct observations.

Additionally we tested for compliance with the County of San Luis Obispo Information Security Program's requirement that employees annually sign the Acceptable Use Policy Acknowledgement form.

### Results

We determined all cash funds and cash receipts on hand, in all material respects, to be in balance at the time of our count, and employees signed the IT Acceptable Use Policy Acknowledgement form in a timely manner.

During fieldwork we identified some areas where improvements could be made, and we immediately provided the Department with suggestions for making these improvements. Suggestions for improvement are made for issues that the auditor considers not to be of an immediate serious nature and/or for issues which the department is able to correct at the time of the audit. Unlike formal audit findings, written departmental responses are not required for these issues. Our suggestions are detailed in the Suggested Improvements section below:

### Suggested Improvements

#### 1. Security of Cash Drawers

We found three locations where the cash drawers were not securely locked because the locks had failed. The Auditor-Controller's Cash Handling Policy requires that during working hours, cash must be kept in a cash drawer which is not accessible to unauthorized persons. Cash that is not secured increases the risk of loss by theft or misappropriation. Subsequent to fieldwork Library staff reported that the cash drawers had been replaced with functioning lock boxes.

#### 2. Staff Certification of Cash Handling Policy

We determined none of the Library's cash handlers had certified in writing that they had read the Cash Handling Policy. The Cash Handling Policy is required reading for all cash handlers, custodians, and managers. However, staff was unaware that written acknowledgement of the policy was required. Written acknowledgement by employees that they have read the Policy helps ensure consistent Countywide procedures for cash handling. Subsequent to fieldwork, we received verification that all employees with cash handling responsibilities had certified that they had read the Cash Handling Policy.

#### 3. Deposits at Small Branch Libraries

We found that the small branch libraries' cash receipts were allowed to accumulate until staff made a deposit at the end of the month. The Cash Handling Policy states that collections of less than \$500 may, at the discretion of the department, be held and deposited less frequently, except that in no case should deposits be less frequent than weekly. The Library staff was following department practice for small branch deposits which typically consist of insignificant dollar amounts. We recommended that the Library request from the Auditor-Controller-

Treasurer-Tax Collector-Public Administrator (ACTTCPA) an exemption to the Cash Handling Policy deposit frequency requirement to allow monthly deposits for the small branches. The request was submitted by the Library director and approved by the ACTTCPA.

#### 4. Automated Monthly Reports

The Library's Polaris system provides a printed receipt to Library patrons; however, the small libraries are not equipped with printers, and staff, unable to produce cash receipts reports from Polaris, must track receipts manually. We found that the Library was not reconciling receipts recorded in Polaris with monthly deposits because staff was uncertain whether Polaris could generate monthly reports. Good accounting practices dictate that if separate systems are used to record cash receipts, the systems be periodically reconciled to decrease the risk of error and fraud. We recommended that Library staff explore the capability of Polaris to produce monthly transaction reports for each branch location in order to effectively reconcile the cash receipting system with the branches' cash deposit. Subsequent to fieldwork Library staff reported that Polaris has been configured to generate monthly reports, and reconciliations to the monthly deposits are now regularly performed.

#### 5. Unendorsed and Untimely Deposited Check

We discovered a check at one of the small branches that had not been endorsed and had been held for longer than one month because it was the only payment that had been received, and staff had forgotten about it. The Cash Handling Policy requires that a restricted endorsement stamp be used on all checks and money orders at the time they are received. Additionally, the Library's practice is for small branches to deposit receipts monthly. Unendorsed checks and untimely deposits both increase the risk of theft or misappropriation of County funds. Subsequent to fieldwork Library staff reported that the branch has been supplied with an endorsement stamp.

We appreciate the courteous attitude of your staff and the cooperation we received during the course of our review.