City of San Diego
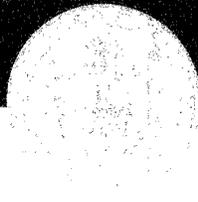
AUDIT REPORT

AUDIT OF THE SAN DIEGO PUBLIC LIBRARY FEE COLLECTION PROCESS

November 20, 2008

Office of the City Auditor
Eduardo Luna, CIA, CGFM, City Auditor

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THE CITY OF SAN DIEGO

November 20, 2008

Honorable Mayor and Members of the City Council
City of San Diego, California

Audit of Library Fees and Fines

Attached is the Audit Report with the results of our testing of the collection of Library fees and fines. The Library's responses to our audit report are attached after page 15. City Audit staff members who participated in the preparation of the report are Kyle Elser, Judy Zellers, and Tiffany Chung.

We would like to thank the Library Department management and staff for their assistance and cooperation during the audit process.

Respectfully Submitted,

Eduardo Luna
Internal Auditor

cc: Jay M. Goldstone, Chief Operating Officer
Mary Lewis, Chief Financial Officer
Deborah Barrow, Library Director
Gail Granewich, City Treasurer
Michael Aguirre, City Attorney
Andrea Tevlin, Independent Budget Analyst
Stanley Keller, Independent Oversight Monitor

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Executive Summary

Based on our audit testing, we found there are Library system issues and cash handling procedures that need to be addressed by Library management. The following is a summary of our two findings and our nine recommendations for corrective action to be taken. The details of our audit findings can be found in the Audit Results Section of this report.

Finding I
Library Computer System Breakdowns Resulted In A Decrease In Late Fee Collections

The Library Department relies on ILS to manage and track its collections, including tracking overdue materials and assessing late fees. We found that in 2008, the Library's ILS computer system failed twice. Internet access disruptions in October 2007 and April 2008 affected the Library's ability to assess and collect late fees and refer past due accounts to Treasury Collections for over one year. In order to continue operations during network outages, the Library used the ILS Circulation Backup process, referred to as the Offline Process, to check books in and out.

The Offline Process did not operate as described by the vendor. Disaster recovery procedures were not adequate to ensure the ILS database could be restored and updated with offline and subsequent transactions in a timely manner. This resulted in inaccurate customer account data being maintained in the system. Because the system contained erroneous data, the Library could not transmit past due accounts to Collections.

Recommendations:

1.   Develop disaster recovery policies and procedures to ensure data will be updated efficiently if future information technology system outages interrupt normal operations.

2.   Consult with San Diego Processing Corporation to determine if there is recourse against the vendor, SirsiDynix, for the losses the City incurred when the Offline Process failed to perform as claimed by the vendor.

3.   Ensure past due accounts are referred to Collections in accordance with the City Charter and the Administrative Regulations or obtain authorization from the City Treasurer to suspend referrals.

4.   Develop policies establishing the standards for documentation of system testing at the Library.

5.   In conjunction with the Treasurer's Collections Division, determine the cost and benefits of implementing a fully automated interface with the Collections software applications to automate the exchange of data between the Library and Collections on payments made by customers.

Finding II
We Found That The Library Has Poor Cash Handling Practices

The Library is primarily a cash operation. We found that cash deposits are not made on a timely basis; deposits are not reconciled to ILS; and waivers of fees are not restricted or monitored. Strong internal controls over cash operations include timely deposits; reconciliations of customer receipts to deposits; and policies to restrict cancellation of fees. The lack of strong controls increases the risk that a theft of funds would not be detected.

Some cash handling weaknesses have been communicated to management confidentially to avoid compromising the security of cash.

Recommendations:

6.   Work with City Treasurer staff to design and implement adequate internal controls over cash handling and ensure the branch libraries deposit cash within 7 days of receipt.

7.   Determine if daily revenue and waiver reports can be designed to report revenues by branch based on transactions in ILS. If so, reconcile revenue reports to the register Z-tape; and retain copies of the revenue reports.

      If revenue reports cannot be generated, ring all transactions on the register and provide customers a receipt from the register, in addition to ILS.

      Post signs stating that all Library customers will receive receipts for payments.

8.   Perform a periodic reconciliation of total receipts deposited by Central and all branches to total revenues posted in ILS to determine the materiality of and reason for differences, if any.

9.   Establish procedures limiting the dollar amount of waivers that can be authorized by staff without secondary approval and implementing a process to review waivers granted at least monthly.

Introduction

In accordance with the City Auditor's fiscal year 2008 - 2009 Work Plan, and in response to a request from the Director of the City of San Diego's (the City) Office of Administration, we have audited the San Diego Public Library (the Library) fines and fees collection process. We conducted this audit in accordance with Generally Accepted Government Auditing Standards and limited our work to those areas specified in the Scope and Methodology section of this report.

Background

One of the Library's primary goals[1] is to have a diverse, well-managed library collection readily available to customers. The Library system has 3.6 million books and audio-visual materials and is comprised of a main library and 35 branch libraries.[1] Library management is responsible for designing policies and procedures to administer and safeguard this collection. This includes assessment and collection of payments for library charges.

The fiscal year 2008 Library operating budget was $38.4 million; reported attendance was 6.2 million and circulation (check-out) was 7.4 million. The Library reports to the Deputy Chief Operating Officer of Community Services.

At any given time, customers are allowed to check out a total of 40 items or up to $600 worth of books and materials, whichever limit is reached first.[2] Digital media[3] can be borrowed for 7 days and other books and materials can be borrowed for 21 days. In general, the loan period for borrowed items can be renewed one time only over the phone, online or in person at any branch. Library fees and fines policies are designed to encourage the return of materials so others may make use of them. Also, fees may offset some of the costs associated with tracking past due items and mailing notices which is required when Library materials are not returned.

Fines and fees (Table 1) for past due Library materials are approved by Council and are on file at the City Clerk's office.

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[1] Source is the Fiscal Year 2009 Budget.
[2] Additional rules can be found at http://www.sandiego.gov/public-library/services/library.card.shtml#borrowing
[3] Digital media includes digital video discs, videocassettes, described videocassettes, and video compact discs. The loan period for CD-ROMS and DVD-ROMS is 21 days.

Table 1: Library Late Charges Schedule for Fiscal Year 2009

Fee Description for Past Due Items	Type	Fine / Day	Maximum
Print Materials – Books.[4]	Adult Children	$0.25 $0.10	$20.00 $5.00
DVDs, Videocassettes, Described Videocassettes, Video Compact Discs, Video Discs	Adult Children	$2.00 $2.00	$20.00 $10.00
Magazines, Paperbacks, & non cataloged	Adult Children	$0.25 $0.10	$5.00 $5.00
Processing fee for replacement of lost materials	Adult Children	Not Applicable	$10.00 $5.00
Processing fee for replacement of lost Videos, DVDs	All	Not Applicable	$10.00

Source: San Diego Library Departmental Instructions 16.2 and 16.5

The Library policy is to email notices to those customers who allow email notification 3 days prior to the due date of the borrowed items. Generally, the process to notify and refer customers to the City Treasurer's Division of Collections (Collections) for delinquent materials is as follows:

Table 2

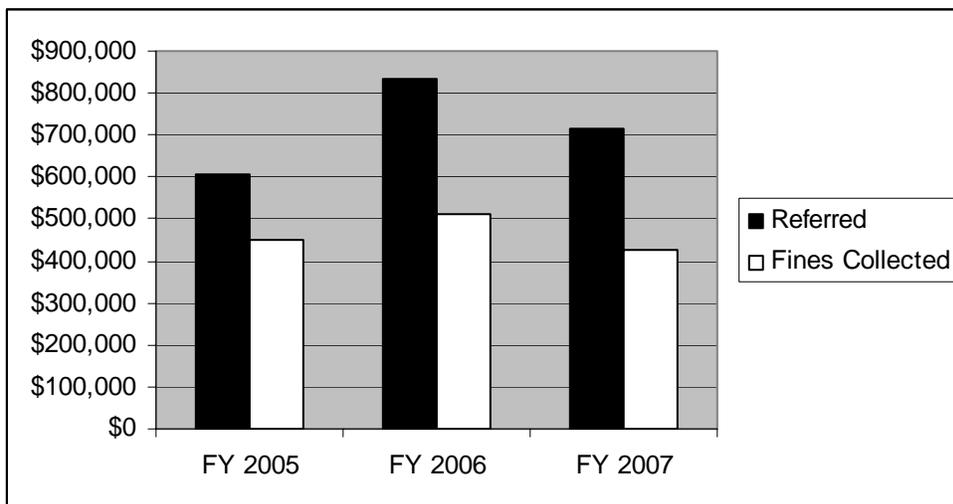| Days Past Due	Description
1	Begin to accrue daily late fees.
21	If not renewed, First Overdue Notice sent 21 days after the due date.
42	Second Overdue Notice sent 42 days after the due date.
63	Items marked as "Assumed Lost". Replacement & processing costs are billed to customer.
	Unpaid Library accounts are referred to Collections at the beginning of the following month if amounts owed are $50 or more.

*DI – Departmental Instruction

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[4] Includes audiotapes, compact discs, CD ROM / DVD ROM, Phonographic Records.

The City Treasurer is responsible for collecting delinquent amounts owed to the City[5]. The Library has been required[6] to refer past due Library accounts to the Collections Division of the City Treasurer when the account is over 50 days past due and the amount due is $50 or more. During the Business Process Reengineering, the requirements for referral of delinquent accounts were modified. In the future, accounts will be referred if the balance due exceeds $100 and the account is 60 days past due. When an account is referred to Collections, a Collection referral fee of 10 percent of the referred amount to maximum of $1,000, or $25, whichever is greater, is assessed and interest on the account accrues at 12 percent.

Over a three year period from fiscal year 2005 – 2007, Collections has recovered on average $462,480 of past due Library fees, based on an average of $717,400 in referrals. In addition, Collections recovered $151,900 in penalties and referral fees in fiscal year 2007. This decreased 26 percent to $113,157 in fiscal year 2008.

Graph 1: Library Account Collection Referrals Compared to Fines Collected, Fiscal Year 2005 to Fiscal Year 2007

Source: Office of the City Treasurer.

Unicorn Integrated Library System (ILS) Implementation

ILS is a web based system implemented in September 2007 which tracks the 3.6 million books and audio visual materials owned by the Library. In order to track materials, customers' library cards and Library materials are bar coded. Bar code data is read and transmitted to the ILS database via the internet and updates the status of materials and customer accounts in ILS. ILS has improved services to customers by allowing access

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[5] City Charter Section 45 states: "Whenever any person is indebted to the City in any manner and the means of collection of such debt is not otherwise provided for by law or ordinance, the Treasurer shall be authorized to demand and receive the same.

[6] Administrative Regulation 63.3 – Accounts Receivable Invoice Processing and Collection.

to account information online and sending email reminders three days prior to due dates to those customers who request email notification. This helps keep materials available for all customers and minimizes late fees.

If materials are overdue, ILS applies daily late fees, generates late notices to customers, and identifies accounts meeting the criteria for referral to Collections, based on City policies. This involves tracking several million transactions annually.

City and Library policies establish the regulations governing overdue materials such as loan periods, late fees and the waiting period prior to referral to Collections. Current late fees were adopted by the City Council in 2005. Adult materials not returned within 63 days are assessed the replacement cost of the Library materials and a $10 processing fee in addition to the past due fees owed. If the customer owes $50 or more, the Library is to refer the account to Collections. ILS is programmed to extract the past due account data for referral.

Audit Objective, Scope, and Methodology

The audit objective was to assess the adequacy of internal controls over the collection of Library fees and fines and referrals to the City Treasurer Collections in fiscal year 2008.

The following audit methodology was used to achieve our audit objectives:
- Reviewed Library cash collection and handling policies and procedures.
- Observed the daily cash procedures and interviewed staff at Central and Mission Valley branch Library.
- Examined deposit records on 12 deposits made in March and June, 2008.
- Inquired with Collections Division of the Treasurer on files received from Collections on past due accounts and communications between the Library and Collections.
- Obtained reports of Collections data on past due accounts referred by Library.
- Requested Library provide data on past due accounts from ILS.
- Interviewed Library staff and examined records to identify the reasons why accounts had not been referred to Collections.

Although we intended to review tests of fees that the Library performed during system implementation, the Library was unable to provide documentation of the results of testing they performed. Also, the Library could not extract customer data on past due accounts in a format that could be used for data analysis. Therefore, we were unable to verify that tests of fees performed by the Library staff during system implementation were adequate. In addition, we were unable to confirm that all past due accounts were properly referred to Collections.

We evaluated internal controls related to the audit objectives. Our review focused on controls related to the collection of fees and fines at the Library. Our conclusions on the effectiveness of these controls we reviewed are detailed in the following audit results.

We conducted this performance audit 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Our audit work was limited to areas specified in the Objective, Scope and Methodology section of the report.

Finding I
Library Computer System Breakdowns Resulted In A Decrease In Late Fee Collections

The Library relies on ILS to manage and track Library books and materials, including tracking overdue materials and assessing late fees. We found that in 2008, the Library's ILS computer system failed twice. In October 2007 and April 2008 Internet access disruptions affected the Library's ability to assess and collect late fees and refer past due accounts to Treasury for over one year. In order to continue operations during network outages, the Library used the ILS Circulation Backup process, referred to as the Offline Process, to check books in and out. The Offline Process did not operate as described by the vendor. Disaster recovery procedures were not adequate to ensure the ILS database could be restored and updated with offline and subsequent transactions in a timely manner. This resulted in inaccurate customer account data being maintained in the system. Because the system contained erroneous data, the Library could not transmit past due accounts to Collections.

Internet access disruptions in October 2007 and April 2008 affected the Library's ability to assess and collect late fees and refer past due accounts to Treasury for over one year.

The process to transmit data via the internet was disrupted twice in fiscal year 2008 due to local internet outages at the City. Normally, data is transmitted through the internet on a dedicated bandwidth from the Library to the ILS server. In October 2007, San Diego Data Processing Corporation (SDDPC) removed the dedicated bandwidth to support a FEMA site during the San Diego wildfires. The Library utilized a back up process, the Integrated Library System (ILS) Offline Process, during the period.

On April 2 and 3, 2008, a City-wide local network outage resulted in loss of internet access throughout the City, including the Central and Branch Libraries. During these outages, updates to customer data could not be transmitted from the Library to the ILS database via the internet.

We found that the Library did not refer delinquent accounts to Collections between September 2007 and October 2008, as required by City regulations. We examined Collections' reports of referrals from the Library and found referrals decreased by 76 percent, from $723,698 to $174,051 between fiscal year 2007 and 2008. In October 2008, additional fiscal year 2008 delinquent accounts totaling $258,201 were referred to Collections by the Library Fiscal year 2008 accounts referred as of October 2008 total $432,252, a net decrease of 40%.

City regulations authorize the Treasurer to collect delinquent accounts. Administrative Regulation 63.30, administered by the Collections Division of the City Treasurer, requires departments to refer delinquent accounts to Collections. Library Instructions

state Library customers owing $50 or more are to be referred to Collections 50 days after the due date of the material. Also, the Library is required to give a 30 day written notice (Bill Notice) to customers prior to referring their accounts to Collections.

The Library discontinued referrals to Collections due to incorrect customer accounts caused by the internet disruptions. Late fees accrue in ILS until the database is updated with the item's return date. The return dates were not updated during outages, leading to erroneous fees in the database. Referrals to Collections were discontinued in October 2007 until October 2008. This delay in referrals was necessary to identify and correct inaccurate accounts before referrals to Collections could be resumed. The Fair Credit Reporting Act prohibits reporting consumer information to credit agencies if there is a reasonable cause to believe the data is inaccurate. Collections reports unpaid accounts to credit agencies. Therefore, Federal law prohibited referral of inaccurate delinquent Library accounts.

In July 2008, the Library account data was corrected and Bill Notices were sent to customers. In October 2008, the Library reinstated a process to refer accounts monthly to Collections. However, the conditions that led to discontinuing referrals to Collections have not been resolved.

In order to continue operations during network outages, the Library used the ILS Circulation Backup process, referred to as the Offline Process, to check books in and out. The Offline Process did not operate as described by the vendor.

During network outages, the Library continued operations using an ILS function, the Circulation Backup Offline Process, to check books in and out. The ILS vendor, SirsiDynix, describes the Offline Process as[7], "an automated method to log transactions if the server is unavailable. The data is saved to the hard drive of a PC and automatically transferred to the server. The Load Offline Transactions report applies the transaction files to the Unicorn (ILS) database."

The Library utilized the process to save data during network outages. However, the transfer of data to the server failed and the database was not properly updated. In the first network outage, the Library staff relied upon the vendor's assertion that back up processes could be used to process daily transactions which would automatically be transferred to the server when internet access was restored. In the second instance, the Library staff was aware that the back up process was not functioning properly; however, the vendor had not provided an alternative method to load transactions. In both instances, the transactions were not loaded accurately into the database. The vendor was unable to resolve the problem.

The vendor advised the failure was due to the large volume of transactions and reported that a future upgrade of the program will resolve the issue.

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[7] Source: SirsiDynix Unicorn WorkFlows Training Guide Circulation, Requests, and Offline (Version GL3.1), Appendix C, Unicorn Offline, page 221.

The Library did not utilize best practices when testing and documenting implementation of the Library Computer System, ILS.

The Library did not test all system functions and did not retain documentation of the tests performed prior to implementation of ILS. Specifically, the Offline Load Process was not tested and documentation of tests performed to verify that the fee process was operating properly was not retained.

During our review of the failure of ILS processes, staff advised the following.
- Testing of the ILS back up Offline Process was not performed.
- Testing of the fee process was performed; however, documentation was not retained.

Best practices in system implementation require test logs be kept of tests performed to document that adequate testing was performed and the system functions according to specifications.

Had testing of the Offline Load Process been performed, alternate back up procedures may have been designed and the data corruption and subsequent issues with referrals to Collections could have been minimized.
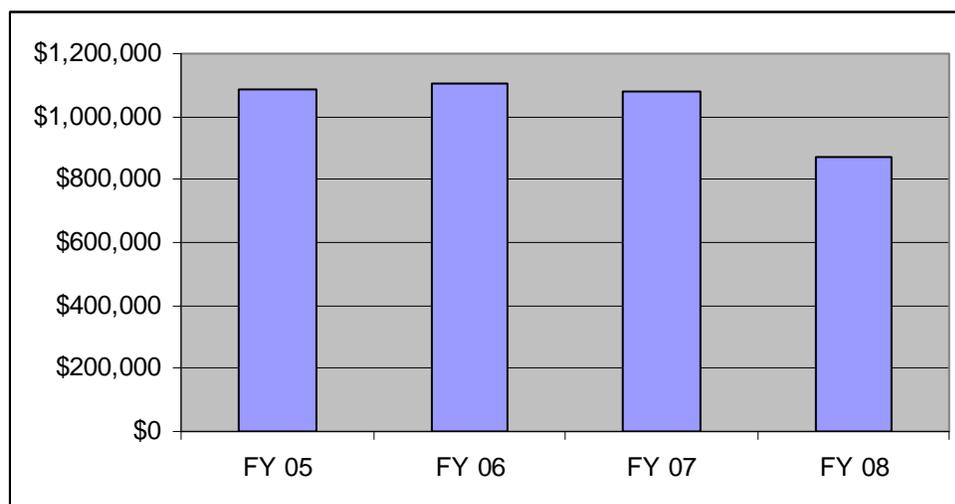
Inadequate disaster recovery procedures resulted in inaccurate customer account data.

The failure of the ILS Circulation Backup process resulted in errors in customer accounts that the vendor was unable to correct. Alternative disaster recovery processes had not been developed.

The Library corrected the data manually by reviewing past due fees in ILS, comparing the past due accounts to reports from the offline data, and manually discharging the erroneous fines in ILS. During this eight month process, data was inaccurate; Bill Notices could not be sent to customers; and the Library was unable to comply with City regulations requiring referral of delinquent accounts to Collections.   The time spent manually correcting data may have been minimized if SirsiDynix, the ILS vendor, had assisted the Library in extracting the data and advising them on tools that could have been used to identify the errors more efficiently.

In the three years prior to implementation of ILS, revenues did not change significantly year to year (see Graph 2). The total estimated loss of revenue in fiscal year 2008 is approximately $361,670. In addition, general fund revenue decreased $38,740 due to interest and penalties on Library accounts not referred to Collections. Also, the City incurred labor costs to manually research the offline report issues and resolve data errors. The Library staff advised factors other than the ILS breakdowns may have contributed to the decreased revenue.

Graph 2: Annual Library Fees Collected, Fiscal Year 2005 to Fiscal Year 2008

Source: Auditor analysis of Comptroller data.

The Library advised us that the erroneous data was corrected by July 2008 and a policy has been instituted requiring staff to not process returned books if an outage occurs in the future. However, a comprehensive disaster recovery plan has not been documented or tested.

ILS does not interface with the Collections information system; therefore, the payments on accounts in one database must be manually updated in the other.

The process to exchange data electronically between the Library and Collections is inadequate. Collections uses Columbia Ultimate Business System (CUBS) to track delinquent accounts referred to Collections and subsequent payments.   ILS and CUBS do not interface (data connection between systems) . Instead a data file is extracted from ILS monthly and sent to Collections. Subsequent information on customer payments input into the ILS database does not update the CUBS database automatically, and vice versa.   As a result, payment transactions in one system must be manually updated in the other. In our opinion, manual processes are redundant and subject to increased risk of errors. Library staff advised us that the interface was not considered due to the assumption that the Collections' system, CUBS, would be replaced by ERP. Our understanding is that CUBS is currently scheduled in phase III of the ERP implementation, but further functionality available in SAP will be required before a final decision is made.

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Conclusion

Due to the failure of the ILS Offline Process, the Library accounts were inaccurate; past due accounts could not be referred to Collections; the Library was not in compliance with City regulations; and revenues decreased.

In our opinion, best practices were not utilized when testing disaster recovery procedures. Due to the lack of testing, there was an increased risk that continuity of business operations would be negatively impacted during network outages.

The purpose of referrals to Collections is to assure maximum collection in a timely manner of all monies due to the City, including recovering the cost of lost Library materials. Based on ILS data as of April 2008, there were 179,894 delinquent accounts totaling $2.8 million. If fees are not recovered, this may impact the Library's ability to have a diverse, well-managed collection readily available to customers.

Recommendations:

1. Develop disaster recovery policies and procedures to ensure data will be updated efficiently if future information technology system outages interrupt normal operations.

2. Consult with San Diego Processing Corporation to determine if there is recourse against the vendor, SirsiDynix, for the losses the City incurred when the Offline Process failed to perform as claimed by the vendor.

3. Ensure past due accounts are referred to Collections in accordance with the City Charter and the Administrative Regulations or obtain authorization from the City Treasurer to suspend referrals.

4. Develop policies establishing the standards for documentation of system testing at the Library.

5. In conjunction with the Treasurer's Collections Division, determine the cost and benefits of implementing a fully automated interface with the Collections software applications to automate the exchange of data between the Library and Collections on payments made by customers.

Finding II
We Found That The Library Has Poor Cash Handling Practices

The Library is primarily a cash operation. We found that cash deposits are not made on a timely basis; deposits are not reconciled to ILS; and waivers of fees are not restricted or monitored. Strong internal controls over cash operations include timely deposits; reconciliations of customer receipts to deposits; and policies to restrict cancellation of fees. The lack of strong controls increases the risk that a theft of funds would not be detected.

Cash Deposits are not made on a timely basis.

Library transactions are characterized by a large number of small dollar cash transactions processed at 36 locations. Fees collected in fiscal year 2008 were approximately $924,000. The average for total daily deposits by all branches and the Central Library is approximately $2,881 . We examined 12 bank deposits totaling $40,475. Each bank deposit combines the daily cash collected from collection points at Central Library and branch locations. The 12 deposits represented 517 transfers from collection points. The San Diego Municipal Code (SDMC) requires the Library to deposit monies within 7 days of receipt. We analyzed the 517 transfers and found that the Library is not in compliance with City regulations governing the deposit of monies. Specifically, we found the following:

- On average there was an 11 day delay between the collection and deposit time of cash.
- 65% of transfers exceeded 7 days between the date of cash collection and deposit.
- 14% of transfers were made more than 2 weeks after the cash receipt date.

The delay appears to be due to the transfer of cash to a central location for verification prior to deposit. Cash is counted at the collection point and then transferred to a central location and recounted prior to preparation of the accounting and deposit form, Daily Cash Receipt. Armored Transport makes the deposit at the bank and the Daily Cash Receipt form is sent to the Treasurer cashier. In our opinion, these manual procedures delay the deposit of cash and are costly in unnecessary labor time and fees paid to Armored Transport. Also, staff member who prepares the deposit tickets and the accounting for receipts has access to cash. Not depositing cash receipts on a timely basis and not having adequate segregation of duties increases the risk of theft of cash and does not allow the City to maximize interest earnings.

Bank deposits are not reconciled to ILS.

The Library does not perform daily reconciliations between payments recorded in ILS and bank deposits.   Receipts from customers are input into ILS and then rung up on a cash register. A receipt from ILS is given to the customer. The cash register tape is reconciled to the daily cash receipts. There is no verification that the receipts given to the customer have been rung on the register and match the cash deposit amount.

In our opinion, strong cash controls require that customers receive a receipt for each transaction and then receipts are reconciled daily to cash deposits at the bank.

Receipts cannot be reconciled because ILS is unable to generate daily revenue reports by branch. Library Information Technology staff have proposed a method of identifying payments by the terminal location to generate revenue reports. A test of total daily revenues (not by branch) recorded in ILS to total daily cash deposits have not been performed to determine if there are discrepancies between ILS and cash deposits in total.

Lack of reconciliation between receipts and deposits, an internal control weakness, increases the risk that theft or errors will occur and not be detected.

Waivers (cancellation) of fees are not restricted or monitored.

We found that the Library does not have a written policy to ensure adequate controls over waivers of customer fees. Controls are necessary to prevent the misuse of waivers. Unauthorized waivers increase the risk that cancellation of fees could be used to conceal the theft of cash. Currently, staff with access to payment transactions can issue a waiver.   The waivers are not restricted by dollar amount and waivers are not reported or monitored by branch.

Controls to prevent the misuse of waivers could be improved by restricting the dollar amounts staff are permitted to waive without a secondary approval and reporting on and monitoring waivers granted.

ILS cannot generate waiver reports by branch. Library staff advised this could be remedied by including waivers on revenue reports.

Conclusion

The Library has poor cash handling controls. Deposits are not timely; cash receipts are not reconciled to ILS; and there are not procedures for waiving fees due. In our opinion, these practices are not adequate to prevent or detect theft of funds.

Recommendations:

6.   Work with City Treasurer staff to design and implement adequate internal controls over cash handling and ensure the branch libraries deposit cash within 7 days of receipt.

7.   Determine if daily revenue and waiver reports can be designed to report revenues by branch based on transactions in ILS. If so, reconcile revenue reports to the register Z-tape; and retain copies of the revenue reports.

        If revenue reports cannot be generated, ring all transactions on the register and provide customers a receipt from the register, in addition to ILS.

        Post signs stating that all Library customers will receive receipts for payments.

8.   Perform a periodic reconciliation of total receipts deposited by Central and all branches to total revenues posted in ILS to determine the materiality of and reason for differences, if any.

9.   Establish procedures limiting the dollar amount of waivers that can be authorized by staff without secondary approval and implementing a process to review waivers granted at least monthly.

MEMORANDUM

DATE: November 18, 2008

TO: Eduardo Luna, Internal Auditor

FROM: Deborah L. Barrow, Library Director

SUBJECT: Library Response to "Audit of the San Diego Public Library Fee Collection Process"

Library staff has reviewed the "Audit of the San Diego Public Library Fee Collection Process." The Library's responses are attached and are organized with the pertinent information under each of the Auditor's findings.

We would like to express our appreciation to you and your staff for finding areas that needed improvement, and for providing recommendations to help the Library serve the community more effectively where fee collection is concerned.

Deborah L. Barrow

Deborah L. Barrow
Library Director

cc: Elmer Heap, Deputy Chief Operating Officer, Community Services
    Kyle Elser, Internal Auditor's Office
    Judy Zellers, Internal Auditor's Office
    Bruce Johnson, Deputy Director, Central Division
    Meryl Balko, Deputy Director, Branch Libraries Division
    Brian Ruark, Information Technology Supervisor

Audit of the San Diego Public Library Fee Collection Process

Library Department preliminary discussion/responses to recommendations:

<u>Finding I</u>

San Diego Library Department computer system breakdowns resulted in a decrease in late fee collections.

1. Develop disaster recovery policies and procedures to ensure data will be updated efficiently if future information technology system outages interrupt normal operations.

    SirsiDynix states they are working on a solution to the problem of their system being unable to handle the volume of transactions generated when the Library is forced to go to the Offline mode during an extended network disruption. We will continue to work with them in support of this solution.

    Until SirsiDynix corrects this problem we will do the following:

    The Library will work on a solution(s) to bypass the problem that occurs when the San Diego Data Processing Corporation (SDDPC) Local Area Network (SANNET) is not available. We will look at ways the libraries can use the Public Cable Internet services (Cox Cable and Time Warner) as a backup during SANNET outages.

    In the event of a more severe outage of the World Wide Web or a failure at the SirsiDynix data center, we have already changed our procedures for how staff can use the Offline mode. Access to the Offline mode has been restricted to exclude discharging (returning) materials and patron registration. (The major source of data errors in the Offline Mode data loading was due to timing errors of posting the discharge dates.)

2. Consult with San Diego Data Processing Corporation to determine if there is recourse against the vendor, SirsiDynix, for the losses the City incurred when the Offline process failed to perform as claimed by the vendor.

    The Library will make a formal request to SDDPC to determine if SDDPC has recourse with SirsiDynix.

3. Ensure past due accounts are referred to Collections in accordance with the City Charter and the Administrative Regulations or obtain authorization from the City Treasurer to suspend referrals.

As of October 2008, files of past due accounts are once again being sent to Collections Division, including referrals that should have been made between October 2007 and July 2008. The referrals made October 1, 2008 totaled $258,201.12. The average monthly referral in 2007 was $45,105.32. We expect regular referrals to the Treasurer will decrease due to the increased number of notifications being sent from the Library, particularly the e-mail notification that alerts patrons that their items are due in three days and provides a link for patrons to renew their items online, thus reducing the patron's risk of incurring overdue fines.

4. Develop policies establishing the standards for documentation of system testing at the Library.

The Library will follow the City's Project Management Framework, Test Plan procedures on future projects or when introducing major enhancements.

5. In conjunction with the Treasurer's Collections Division, determine the cost and benefits of implementing a fully automated interface with the Collections software applications to automate the exchange of data between the Library and Collections on payments made by customers.

The Library has placed a budget request in the FY2010 Information Technology budget for interfacing the Collections system (CUBS) with the Library's Integrated Library System. We will follow through with the Treasurer's Collections Division when the budget is approved. As a proprietary system, the results will depend on the cooperation of the vendor in developing a link between the two systems.

Finding II

We found that the Library Department has poor cash handling practices.

6. Work with City Treasurer staff to design and implement adequate internal controls over cash handling and ensure the branch libraries deposit cash within 7 days of receipt.

The Library will work with the City Treasurer staff to design and implement adequate internal controls over cash handling and ensure the branch libraries deposit cash within 7 days of receipt. The plan will need to take into account the limited staffing levels and service level impacts.

7. Determine if daily revenue and waiver reports can be designed to report revenues by branch based on transactions in ILS. If so, reconcile revenue reports to the register Z-tape; and retain copies of the revenue reports. If revenue reports cannot be generated, ring all transactions on the register and provide customers a receipt from the register, in addition to ILS. Post signs stating that all Library customers will receive receipts for payments.

> The Library will ensure all transactions are rung on the register and staff will provide customers a receipt from the register and from the ILS. The Library will also post signs stating that all Library customers will receive receipts for payments.

8. Perform a periodic reconciliation of total receipts deposited by Central and all branches to total revenues posted in ILS to determine the materiality of and reason for differences, if any.

> The Library will perform a periodic reconciliation of total receipts deposited by Central and all branches to total revenues posted in ILS to determine the materiality of and reason for differences, if any.

9. Establish procedures limiting the dollar amount of waivers that can be authorized by staff without secondary approval and implementing a process to review waivers granted at least monthly.

> The Library will review Department Instructions and develop standards for when fees/fines can be waived and establish a dollar threshold that would require a supervisor review and notation.

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