

Toronto STAFF REPORT

May 29, 2006

To: Toronto Public Library Board
From: Auditor General
Subject: Fines and Income Review– Toronto Public Library

Purpose:

This report presents the results of our review of Toronto Public Library fines and income conducted as part of the Auditor General's 2005 Annual Work Plan.

Financial Implications and Impact Statement:

The implementation of recommendations in this report will improve management controls over fines and income, and ensure efficient and effective delivery of library services. Future savings may be determinable as staff identify specific actions and expected time frames required to implement recommendations contained in this report.

Recommendations:

It is recommended that:

- (1) the following recommendations in the attached Auditor General's report entitled "Fines and Income Review – Toronto Public Library" be adopted:
 - "1. The City Librarian take steps to:
 - (a) develop a process to ensure all write-offs including fines and fees related to past due amounts and the cost of lost materials waived and purged during the year are formally approved by management and reported to the Library Board on a periodic basis; and
 - (b) review Library practices related to recording outstanding fines, provisions for uncollectible accounts, and write-offs into accounting and financial records.

2. The City Librarian establish financial limits for staff fine and cost of overdue material waivers in the circulation system.
3. The City Librarian implement a process providing for input of staff identification and the reason for a fine waiver when granted in the circulation system.
4. The City Librarian consider the implementation of the following features for the proposed Library circulation system:
 - automated controls for limiting waivers and fine overrides in accordance with staff access levels; and
 - capability of generating more periodic reports related to collections and waivers including fine waivers over certain limits, cumulative fines waived by account, fine waivers by staff identification and the reasons for the waiver.
5. The City Librarian strengthen the process for reporting and follow-up on branch variances from established benchmarks for fine waivers and cost of overdue materials.
6. The City Librarian develop and implement a process for more frequent review of fine waivers and the cost of lost materials by branch managers and Library management.
7. The City Librarian should integrate cash registers and point-of-sale machines with the circulation system and strengthen cash management controls by implementing a process for more frequent review and reconciliation of cash collection reports with circulation system reports.
8. The City Librarian implement the following cash control policies and procedures:
 - (a) Accounting documents should be reviewed and approved by branch managers before being submitted to the Library Accounting Department;
 - (b) Variances on cash collection reports should be followed up by branch staff;
 - (c) Frequency requirements for cash counts and reconciliations should be developed for branches;
 - (d) Limits for the accumulation of funds should be established and funds collected should be deposited timely;
 - (e) Branch bank reconciliations should be reviewed by supervisors;
 - (f) Front desk staff schedules should be documented;

- (g) Safes and vaults should be located in secure areas, kept locked when unattended, and combination locks changed periodically; and
 - (h) Policies and procedures related to handling petty cash should be enforced.
- 9. The City Librarian should take steps to either allow for the direct bank deposit of funds by the Access Services Department at the Toronto Reference Library or develop a formal process for cash transfer between the Access Services Department and Accounting Department.
- 10. The City Librarian should review the cheque receipt and recordkeeping process to ensure adequate separation of duties exists between staff receiving funds and staff updating accounting records.
- 11. The City Librarian should ensure procedures for transfer of funds includes a protocol for acknowledging receipt of funds.
- 12. The City Librarian should ensure that the delinquent patron reminder statement regarding transfer of overdue accounts to a collection agency be displayed prominently on the front of the notice so that readers are more likely to read the warning.
- 13. The City Librarian should implement a process for verification of collection agency invoices ensuring variances are investigated, and incorrect entries are adjusted accordingly. Reported instances should be investigated and excess payments, if any, made to the collection agency in the past should be recovered.
- 14. The City Librarian should review the process for formally validating the corporate status of organizations applying for room booking as not-for-profit.
- 15. The City Librarian should ensure that outstanding balances for room bookings are recorded in the accounting system and reported in the financial statements.
- 16. The City Librarian should develop policies and procedures for:
 - (a) collecting advance payment for room bookings;
 - (b) ensuring timely follow-up on outstanding room rentals; and
 - (c) maintaining complete records of room bookings and outstanding room rentals by branches not using the centralized room booking system (CLASS).
- 17. The City Librarian should maintain and monitor occupancy statistics for room rentals as a tool for planning.

18. The City Librarian should ensure centralized branch use of the room booking system (CLASS) by the end of 2006.
19. The City Librarian should ensure licences are acquired based on a review of expected use and actual use is monitored. Centralized room booking system (CLASS) licenses acquired to date should be reviewed and related maintenance costs should be negotiated with the vendor according to expected use.
20. The City Librarian should improve controls on management of leases and lease rentals by:
 - (a) developing a lease agreement process to track lease details including expiry dates to ensure timely lease renewals. In addition, all terms and conditions should be finalized prior to commencement of the agreement; and
 - (b) obtaining post dated cheques in advance from tenants as a means of collecting lease rental revenue on a timely basis.
21. The City Librarian should ensure lease rental write-offs are supported with formal management approval.
22. The City Librarian should renegotiate photocopier rates with the vendor and evaluate other options including the coordination of the Library photocopy contract with the City.
23. The City Librarian ensure existing and future contracts are reviewed and evaluated to take advantage of volume pricing by coordinating with the City.
24. The City Librarian should review the photocopier maintenance payment process to ensure service is not covered under the current maintenance agreement prior to payment. Prior period maintenance costs should be reviewed and any duplicate payments should be recovered accordingly.
25. The City Librarian should reduce the current charge card machine ("Mini-Till") maximum value (currently \$999), and ensure charge card machines and library cards are maintained in a secure location where cards cannot be accessed and charged by persons other than library staff.
26. The City Librarian should direct branches to reconcile charge card machine ("Mini-Till") reports with daily cash collection reports.
27. The City Librarian should review current controls in the circulation system and ensure data integrity is maintained and adequate records exist for changes made to system records.

28. The City Librarian should ensure the price change control process is formally documented and all price changes in the system adhere to a formal written process.
29. The City Librarian should take steps to minimize the risk of unauthorized access to patron information transmitted to the collection agency. Steps should be taken to ensure the use of secure methods for transmitting data such as data encryption and secure logins.
30. The City Librarian should ensure the formal development of system control processes for:
 - granting staff access to library systems;
 - maintaining access controls lists;
 - ensuring access is provided to appropriate staff and periodically removing users not requiring system access; and
 - enforcing password change controls on a regular basis.
31. The City Librarian should ensure development of implementation plans for planned projects. Projects affecting library branches should be coordinated and communicated to branches and include an agreed upon implementation plan.
32. The City Librarian should ensure the implementation of measures to promote the integrity and accuracy of inventory records, and minimize errors when receiving and processing returned material."

(2) this report be forwarded to the City of Toronto Audit Committee for information.

Background:

This review covers the following areas related to the Toronto Public Library:

- Management and Administration of Fines, Fine Waivers and Write-offs;
- Internal Controls Over Cash;
- Room Booking and Equipment Rentals;
- Management of Leases and Lease Rentals;
- Management Control Over Photocopy Revenue; and
- Information Technology Environment and Controls.

This audit was conducted in accordance with generally accepted government auditing standards.

Comments:

The attached Auditor General's report entitled "Fines and Income Review – Toronto Public Library" contains 32 recommendations. Management's response to the recommendations

contained in this report is attached as Appendix 2. The Chief Librarian has also prepared a separate management response submitted concurrently with this report.

Conclusions:

The objective of this review was to assess whether the Toronto Public Library has appropriate and effective management controls over cash collection and related processes. Our review focused on the collection of fees and fines, room booking revenue, lease space rentals and photocopy revenue including information technology systems and processes relating to these areas. Our review identified a number of areas requiring strengthened management controls and improved system support, some of which are currently being addressed by management.

Addressing the recommendations in this report will provide for more efficient use of City resources and enhance the cost effectiveness of services provided by the Toronto Public Library.

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List of Attachments:

- Appendix 1: Fines and Income Review – Toronto Public Library
- Appendix 2: Toronto Public Library – Auditor General's Fines and Income Review – Management Response and Action Plan