

**TORONTO PUBLIC LIBRARY**  
**Auditor General's Fines and Income Review**  
**Management Response and Action Plan**

Recommendation	Management Response	Action Plan
<p>1. The City Librarian take steps to:</p> <p>(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.</p> <p>(b) review Library practices related to recording outstanding fines, provisions for uncollectible accounts, and write-offs into accounting and financial records.</p>	<p>1(a) Agree. Each year, the Board reviews and approves the Circulation Use Policy, which includes the policy for purging and waiving fines when appropriate. Other write-offs are done according the approved Financial Control Policy.</p> <p>It should be noted that some of the predecessor libraries never purged fines and as a result came into amalgamation with significant uncollected debts which are not recoverable. The 2004 purge was the first purge performed by the Library, during which \$6.6 million of uncollectible fines, incurred prior to amalgamation and going as far back as 1982, were removed from the system;</p> <p>(b) Disagree. The Library's Dynix system is used to track each patron account, including overdue fines, and any monies collected is then recorded in the financial system as revenues. Only after all collection methods are exhausted, including suspending service, overdue notifications and use of a collection agency where appropriate, and a period of time has passed, are outstanding accounts purged from Dynix. While the recommendation is based on sound accounting theory, the external auditors, Ernst &amp; Young, have reviewed and accepted the current practices and recognize the operational reasons why overdue fines are managed the way they are. This method of managing fines is also</p>	<p>To increase transparency, reports on waiving, purging and write-offs will be provided to the Board annually for information. In addition, management will ensure that all write-offs are formally approved.</p>

Recommendation	Management Response	Action Plan
	<p>standard practice for libraries in North America. As noted in 1(a), to increase transparency, reports on waiving, purging and write-offs will be provided to the Board annually for information.</p>	
<p>2. The City Librarian establish financial limits for staff fine and cost of overdue material waivers in the circulation system.</p>	<p>2) Agree. An overall waive benchmark has been established, and branch performance is monitored against this benchmark.</p>	<p>With the introduction of the new ILS in 2007, the option of implementing a financial limit for waives, beyond which Supervisor approval is required, will be reviewed.</p>
<p>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.</p>	<p>3) Agree.</p>	<p>Staff already adds messages in the customer record around significant waiving of fines. With the introduction of the new ILS in 2007, the Library will investigate options for increasing documentation on waives. Options will include staff identification, setting dollar limits and creating pre-defined check-lists of reasons.</p>
<p>4. The City Librarian consider the implementation of the following features for the proposed Library circulation system:</p> <ul style="list-style-type: none"> <li>- automated controls for limiting waivers and fine overrides in accordance with staff access levels; and</li>   <li>- capability of generating more periodic reports related to</li> </ul>	<p>4) Agree.</p> <p>Training is provided to staff on how to handle waives. Benchmarks and trend analysis help to monitor and control the level of waives by branch.</p> <p>The new ILS will have greater reporting capability but the cost of additional reports and monitoring, and the</p>	<p>The new ILS will provide greater granularity for access controls, and the option of implementing automated controls over waives based on staff levels, will be addressed once the new system is implemented in 2007.</p> <p>The new ILS will provide the ability to generate more</p>

Recommendation	Management Response	Action Plan
<p>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.</p>	<p>dedication of more resources to this function, will need to be balanced against any potential benefits.</p>	<p>frequent reports. The ability to report on more data on waivers will be investigated.</p>
<p>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.</p>	<p>5) Agree. Library staff currently receives quarterly reports about the waiving of fines by branch. The information on the reports is reviewed on a system-wide, regional and branch basis with follow-up as required. Branch supervisors and managers are expected to monitor those reports and address waiving beyond the benchmarks.</p> <p>The waive benchmark represents an overall target for the system as a whole. With an overall target waive benchmark, some branches are expected to be higher and others lower. Branches with waivers above the benchmark include Parkdale, Thorncliffe, Parliament, Albion, York Woods and St. James Town. The measurement of performances is based on progress towards achieving the overall target, and there have been improvements in each of the last 3 years.</p>	<p>Efforts will be made to document the staff follow-up process for waivers in excess of the benchmarks.</p>
<p>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.</p>	<p>6) Agree. The new ILS will have greater reporting capability but the cost of additional reports and monitoring, and the dedication of more resources to this function, will need to be balanced against any potential benefits.</p>	<p>The new ILS will provide the ability to generate more frequent reports. The ability to report on more data on waivers will be investigated.</p>
<p>7. The City Librarian should integrate cash register 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.</p>	<p>7) Agree. The introduction of the new ILS will offer an opportunity to integrate the cash handling equipment and processes. The ILS project budget did not include this cost, which is expected to be significant, and funding for this will need to be balanced against other priority capital projects.</p>	<p>An assessment will be made of the cost of implementing integrated cash handling equipment and processes, and the potential pay-back period for this investment. Integration may occur on a phased approach or at a later date.</p>

Recommendation	Management Response	Action Plan
	<p>The reconciliation of cash collections reports to the circulation system reports is currently resource intensive to perform, and therefore done quarterly. It should be noted that the Library achieved an overall accuracy of 98.2% in 2005 (97.5% in 2004), slightly below the benchmark of 99%.</p>	<p>The implementation of the new ILS in 2007 will provide better reporting capabilities and the possibility of more frequent reconciliations will be assessed at that time.</p>
<p>8. The City Librarian implement the following cash control policies and procedures:</p> <p>(a) Accounting documents should be reviewed and approved by branch managers before being submitted to the Library Accounting Department;</p> <p>(b) Variances on cash collection reports should be followed-up by branch staff;</p> <p>(c) Frequency requirements for cash counts and reconciliations should be developed for branches;</p> <p>(d) Limits for the accumulation of funds</p>	<p>8(a) Agree. The current Management and Cash Control procedures, S 2.4.1-G, Cash Collection, require that month branch receipt reports be approved by branch manager.</p> <p>(b) Agree. The procedure to handle cash variances is documented in Cash Register and Coin Machines, S 2.4.2, Report Error. All variances greater than \$20 require review by branch and Accounting staff. Overages and shortages are a normal part of operations in any cash handling business and for all branches, the total net variance in 2004 was \$660 and 2005 was \$930.</p> <p>(c) Agree. The cash handling policy requires cash count reconciliations which vary from weekly to three times per week, based on the amount of cash handled in the branch.</p> <p>(d) Agree.</p>	<p>Branch staff will be reminded of the necessary approvals and Accounting staff will be instructed to check for proper approval.</p> <p>Staff will be reminded of the requirement to document all reviews of variances where required.</p> <p>In 2006, the Library will undertake a review of cash handling in all branches and develop a more formal frequency requirement for cash count and reconciliation, taking into account the size and activity of each branch</p> <p>By July 2006, limits will be set</p>

Recommendation	Management Response	Action Plan
<p>should be established and funds collected should be deposited timely;</p> <p>(e) Branch bank reconciliations should be reviewed by supervisors;</p> <p>(f) Front desk staff schedules should be documented;</p> <p>(g) Safes and vaults should be located in secure areas, kept locked when unattended, and combination locks changed periodically; and</p> <p>(h) Policies and procedures related to handling petty cash should be enforced.</p>	<p>(e) Agree.</p> <p>(f) Agree.</p> <p>(g) Agree.</p> <p>(h) Agree. The Management and Control of Cash procedures, S. 1.3, Petty Cash System, contains the petty cash policy and procedures. Approximately 20% of petty cash floats are audited every year. In 2005, the audit revealed a net shortage of petty cash amounting to \$70.47.</p>	<p>for Accounting and each branch.</p> <p>This was implemented in March 2006.</p> <p>The recently approved Records Retention By-law requires staff schedules to be retained for one year.</p> <p>In the third quarter of 2006, a survey will be done on the location of all safes. Instructions will be issued on keeping the safes locked when unattended, and combinations will be changed every 2 years.</p> <p>The results of the petty cash audits were sent to every branch, with a reminder of the appropriate petty cash control procedures.</p>
<p>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.</p>	<p>9) Agree. Overages and shortages are a normal part of operations in any cash handling business. For 2004 and 2005, there have been a total of 14 discrepancies averaging less than \$5 each.</p>	<p>Accounting staff, located in the same building, already go to the bank to make frequent deposits. In June 2006, a formal sign-over process between Access and Accounting staff will be implemented.</p>
<p>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.</p>	<p>10) Agree. It should be noted that this lack of segregation of duties is a problem only in the Information Technology department. Also, staff are updating patron records on the Dynix system, and not on the accounting records. The financial systems are separate from the Dynix system, and</p>	<p>In June 2006, the process will be reviewed to determine how internal controls can be strengthened by separating duties.</p>

Recommendation	Management Response	Action Plan
	only finance staff have access to the finance systems.	
11. The City Librarian should ensure procedures for transfer of funds includes a protocol for acknowledging receipt of funds.	11) Agree.	A log is kept of all cheques received by the IT department, and a copy of the log is being sent with the cheques to the Accounting department, who check for completeness and, beginning in June 2006, will acknowledge receipt of the 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.	12) Agree.	This revised notice will be in place in June 2006.
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.	13) Agree. Library staff investigation has determined probable causes for the variances, including a system problem related to return of library materials in the book drops by patrons referred to the collection agency. In those cases, the library materials had been returned to the Library, though the book drop return transaction was not reported to the collection agency. When the Library subsequently reported a zero balance for the accounts, the collection agency adjusted its records to reflect the Library's records. In those instances there was no excess payment.	The Library will investigate variances on a monthly basis and adjust incorrect invoice entries, starting in June 2006.  The new ILS will be tested to confirm that the problem has been fixed.
14. The City Librarian should review the process for formally validating the corporate status of organizations applying for room booking as not-for-profit.	14) Agree. The current policy requires applicants applying for the not-for-profit rate to complete a form and confirm their non-profit status. Charities and registered not-for-profit organizations must provide their charitable number of their corporation number. For all other not-for-profit organizations who are not registered corporations, which include most community groups, City Legal has confirmed that there is no way to verify their status apart	In June 2006, staff will be reminded of the need to complete the not-for-profit forms, and to keep them on file.

Recommendation	Management Response	Action Plan
	<p>for asking them to confirm it.</p> <p>In addition the information collected, the Library staff does additional due diligence as required, to check on a group's not-for-profit status:</p> <ul style="list-style-type: none"> <li>• A request may be made for a copy of an Annual Report;</li> <li>• A search for information in the Internet; or</li> <li>• An audit of the participants attending the meeting</li> </ul> <p>While staff may occasionally deviate from procedures, the Library feels that there are currently adequate checks and balances in the system, which will be further strengthened by the centralization project.</p>	
<p>15. The City Librarian should ensure that outstanding balances for room bookings are recorded in the accounting system and reported in the financial statements.</p>	<p>15) Agree. The desire to improve controls around room booking across the Library system resulted in the current project to centralize the room bookings.</p>	<p>The use of CLASS for centralized room bookings, scheduled to be complete around the end of 2006, will allow outstanding balances to be recorded in the accounting system and reported in the financial statements.</p>
<p>16. The City Librarian should develop policies and procedures for:</p> <p>(a) collecting advance payment for room bookings;</p>	<p>16a) Agree. The centralization project and prior payments will improve controls around the collection of outstanding accounts. In addition, improvements to the aging report will allow better monitoring of overdue accounts.</p>	<p>As of January 9, 2006, all branches are using new room booking contracts that require payment by cheque, cash or debit/credit card to confirm bookings; this will significantly reduce non-payment issues. Control over payments for multiple future bookings still present a challenge, and by the end of 2006, reporting options in CLASS will be</p>

Recommendation	Management Response	Action Plan
<p>(b) ensuring timely follow-up on outstanding room rentals; and</p> <p>(c) maintaining complete records of room bookings and outstanding room rentals by branches not using the centralized room booking system (CLASS).</p>	<p>b) Agree. The centralization project and prior payments will improve controls around the collection of outstanding accounts.</p> <p>c) Agree.</p>	<p>investigated to produce reports to help manage this.</p> <p>The reporting in CLASS will be assessed and by the end of 2006, improvements will be made to the aging report which will allow better monitoring of overdue accounts.</p> <p>Reminders will be sent to branches to keep records of room bookings so that outstanding accounts can be collected.</p>
<p>17. The City Librarian should maintain and monitor occupancy statistics for room rentals as a tool for planning.</p>	<p>17) Agree. The centralization of room bookings should result in an overall improvement in the management of the inventory of the meeting rooms, and will lead to better planning and utilization, and possibly higher revenues.</p> <p>However, the primary purpose of meeting rooms is for the delivery of library programs and services. When not required for library purposes, the rooms are made available, in order of priority, to:</p> <ul style="list-style-type: none"> <li>• Not-for-profit organizations and community groups</li> <li>• City departments and ABCs</li> <li>• Commercial groups</li> </ul> <p>When meeting rooms are not booked, they are frequently used by students as study space or for staff meetings.</p>	<p>Continue with the project to centralize room bookings, currently scheduled to be complete around the end of 2006.</p>
<p>18. The City Librarian should ensure centralized branch use of the room booking system (CLASS) by the end of 2006.</p>	<p>18) Agree. The decision to centralize system-wide bookings was made in 2005 and to date, 45 percent have been centralized. Due to the resources required for the project, plans are to complete centralization around the end of 2006.</p>	<p>Continue with the project to centralize room bookings, current scheduled to be complete around the end of 2006.</p>

Recommendation	Management Response	Action Plan
<p>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.</p>	<p>19) Agree. With the completion of the centralization project, and the expanded use to manage staff meetings, there will be more users of the CLASS system.</p>	<p>Our analysis has shown that 10 concurrent users is the appropriate level for 2006/7, so no action is required.</p>
<p>20. The City Librarian should improve controls on management of leases and lease rentals by:</p> <p>(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</p> <p>(b) obtaining post dated cheques in advance from tenants as a means of collecting lease rental revenue on a timely basis.</p>	<p>20a) Agree. There are currently 31 tenant leases, of which 27 are current and signed, 3 are awaiting signatures, and 1 is in overholding and being negotiated. While a few leases may not be signed in a timely manner, lease periods and rental rates are always negotiated prior to commencement.</p> <p>20b) Agree.</p>	<p>Lease and rent schedules are in place and used to monitor rent payments and expiry dates. The Library will discuss with City Legal options to expedite lease documents.</p> <p>All new leases will require post dated cheques.</p>
<p>21. The City Librarian should ensure lease rental write-offs are supported with formal management approval.</p>	<p>21) Agree.</p>	<p>All write-offs will be formally approved by management and reported to the Board annually for information</p>
<p>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.</p>	<p>22) Agree.</p>	<p>The Library will approach the vendor and explore options to save costs on the existing contract. The Library will also discuss the possibility of pooling photocopying services with the City.</p>

Recommendation	Management Response	Action Plan
23. The City Librarian ensure existing and future contracts are reviewed and evaluated to take advantage of volume pricing by coordinating with the City.	23) Agree. However, it should be recognized that the City's needs for photocopying is different from the Library's, as this is a public service in libraries, and photocopy services are sold.	Before the next photocopy contract is tendered, the Library will discuss the possibility of pooling photocopying with the City.
24. The City Librarian should review the photocopier maintenance request 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.	24) Agree.	All invoices are now being reviewed by the Purchasing department before they are processed. During 2005, approximately \$5,000 of costs was incurred for additional service calls; these will be reviewed.
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.	25) Agree.	In the third quarter of 2006, the vendor will be requested to restrict Mini-Till values to a maximum of \$100 each instance. In June 2006, Instructions will be sent out to branches reminding them of the need to secure library cards and copy cards.
26. The City Librarian should direct branches to reconcile charge card machine ("Mini-Till") reports with daily cash collection reports.	26) Agree	In the third quarter of 2006, a reconciliation process will be introduced, which will reconcile mini-till reports to the cash collections 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.	27) Agree. In the current system, it is not possible to control staff access to history data, beyond current level of login and password control.	Access control in the new ILS will have much greater granularity and will make it possible to put more controls in place.

Recommendation	Management Response	Action Plan
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.	28) Agree. The change control process is currently very transparent and effective, and there has never been a problem in this area.	In June 2006, formal sign-off procedures will be implemented to improve documentation.
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.	29) Agree.	The Library will investigate appropriate data encryption which is compatible with the collection agency, and implement the change, expected in the third quarter of 2006.
30. The City Librarian should ensure the formal development of system control processes for: <ul style="list-style-type: none"> <li>- granting staff access to library systems;</li> <li>- maintaining access controls lists;</li> <li>- ensuring access is provided to appropriate staff and periodically removing users not requiring system access; and</li> <li>- enforcing password change controls on a regular basis.</li> </ul>	30) Agree.  Work Order system is currently being adapted to provide tracking of requests and actions. Access control lists are currently maintained and staff no longer requiring system access is removed.  The current Dynix system does not enforce password changes.	Access control at the administrative and personal name account name level was reviewed in February 2006; any staff no longer requiring access to Dynix was removed.  Options for password change controls on the new ILS will be investigated.
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.	31) Agree.	The library uses project planning tools for all major projects. Consideration will be given to a wider application, as appropriate.
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.	32) Agree. With an annual circulation of over 30 million, this means that there are over 60 million scan transactions. With this much activity, some errors do occur, but there is no evidence of this being widespread.	The new ILS may provide cost effective opportunities to further increase controls and reduce errors.