



## City Auditor's Office Memorandum

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Date: March 26, 2015  
To: Richard A. Bowers, Acting City Manager  
From: Candace MacLeod, City Auditor  
Subject: Audit of Cash Handling at the Glendale Main Library

At the request of the City Manager's Office, the City Auditor's Office conducted an audit of cash handling procedures at the Glendale Main Library (Main Library) in February 2015. The purpose of the audit was to review the Main Library's internal controls over cash handling.

The Main Library is located in the Community Services Department and serves the needs of Glendale's citizens by providing services, programming, books, audio/visual materials and electronic resources that inform, educate and entertain residents.

In FY2015 year-to-date, approximately \$90,900 in revenue was collected by all Glendale Libraries and deposited into the General Fund, primarily for fines and room rentals. Approximately \$48,300 was deposited into the Library Book Fund, mainly from copier charges, books sales and damaged book fees. An additional \$2,088 in library donations was reported during the year.

An inspection of the Main Library safe and cash on hand was performed, along with a review of internal procedures, access logs and a sample of daily deposit information. The auditor held discussions with staff involved in cash handling and observed areas where cash is collected and counted. The scope of the audit included cash and checks only for the period July 1, 2014 to February 9, 2015; procurement card transactions were excluded. It is important to note that credit card payments processed through the online portal and self-checkout stations are not reconciled to electronic transactions by the Main Library. According to the Community Services Director, prior to the fall of 2012, payments through the online portal and self-checkouts were being reconciled to the general ledger but then stopped after the Library changed its computer system from Horizon to Polaris. Finance and Technology has made attempts to reconcile the Main Library credit card payments to the city's bank account, however, this has never been successfully completed. Staff from the Main Library and Finance and Technology are currently researching this issue. The City Auditor's Office will perform a separate follow-up audit on the reconciliation of the Main Library credit card payments at a later date.

Table 1 summarizes the cash handling control weaknesses identified during the audit, along with recommendations and management's response to correct each area of risk.



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Table 1

Internal Control Issue	Main Library Audit Recommendation	Management Response March 2015
<p>Of the 25 cash register access codes, 21 are currently being used by Main Library staff. These individuals simultaneously work out of the same cash drawer throughout the business day.</p> <p>Glendale's Cash and Credit Card Handling Policies and Procedures (Cash Handling Policies) state that different employees should not work simultaneously out of the same cash drawer.</p> <p>The risk of theft or loss increases if multiple staff works out of the same cash drawer.</p>	<p>1. Ensure that cash drawers are not shared by staff.</p>	<p>1. Concur. This is an issue that arose last fall in preparation for this audit and Library staff has been working with Finance and Technology on solutions. In response, several steps will be completed by May 1, 2015 to address this concern: a) Cash register access is being reduced from 21 users to 10 with no more than 6 staff accessing the register on any business day (we are currently working with Finance and Technology for their approval); b) The security camera over the register has been repositioned to reflect cash register access; c) Library staff will encourage customers to utilize the self-check machines for credit and debit card transactions (new directional signage will be created to facilitate this).</p>
<p>Cash is balanced the next business day, Monday through Thursday. The Saturday and Sunday Main Library deposits are commingled and counted the first day of the following work week.</p> <p>Untimely deposits increase the risk of theft or loss.</p> <p>Combining deposits from multiple days reduces accountability and increases the risk of theft or loss.</p>	<p>2. Ensure cash is balanced in a timely manner.</p> <p>3. Ensure that cash drawers from different days of operation are not combined.</p>	<p>2. Concur. A new process will be implemented by April 1, 2015. "X" tapes will be run on the register at closing each day and cash will be counted and secured in a locking cash bag in the top drop box of the safe.</p> <p>3. Concur. A new process will be implemented by April 1, 2015. Staff schedules have been altered to allow for daily deposits to be reconciled individually rather than allowing the money to "roll over" into one larger deposit on weekends.</p>



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<p>Six employees can perform both cashier and daily balancing functions.</p> <p>Cash Handling Policies state that different individuals should be responsible for handling each aspect of the cash receipt procedure.</p> <p>Inadequate separation of duties increases the risk of theft or loss.</p>	<p>4. Ensure that employees do not perform both cashing and daily balancing duties.</p>	<p>4. Concur. A new process will be implemented by April 15, 2015. A new schedule will segregate staff that use the register from those that perform daily balancing functions (those not cashing will also be scheduled to verify each daily deposit). Additionally, an independent verifier will ensure compliance with this recommendation.</p>
<p>Online and self-checkout credit card payments are not reconciled to electronic transactions and financial records.</p> <p>Cash Handling Policies state that charge card transactions are monetary transactions and therefore are subject to the same control and reconciliation policies and procedures. A daily accounting of receipts, from sales or deposits, should be balanced against electronic transactions.</p> <p>Lack of reconciliation increases the risk that credit card revenue is not accurate, complete or properly classified.</p>	<p>5. Ensure that online and self-checkout credit card payments are reconciled to electronic transactions and financial records in a timely manner.</p>	<p>5. Concur. A new process will be implemented by April 1, 2015. Staff will pull the necessary reports that are to be printed daily to reconcile credit card transactions from the previous day. The Library will continue to work with Finance and Technology to identify best practices used by other Polaris-supported library systems (i.e. Phoenix, Scottsdale, Mesa, Peoria, etc.).</p>
<p>The drop box at the top of the safe is not being utilized. As a result, 10 employees have access to the safe to drop off daily deposits.</p> <p>The risk of theft or loss increases if safe access is not limited to just those individuals that require access.</p>	<p>6. Consider utilizing the top compartment of the safe for making one way deposits and reducing the number of individuals with access to the safe.</p>	<p>6. Concur. This has been implemented. In November 2014, the Library purchased new safes with drop boxes for all of the locations and will begin using the top compartment.</p>



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<p>Cash drawers from each library branch are combined and reported as one fund under the custody of one custodian that works out of the Foothills Branch Library.</p> <p>Individual cash drawers should be accounted for separately, by location, along with the name of the custodian assigned to each library branch.</p> <p>Combining funds reduces accountability and increases the risk of theft or loss.</p>	<p>7. Ensure that each library branch's cash fund and the associated custodian are reported separately to Finance and Technology.</p>	<p>7. Concur. This will be implemented by April 1, 2015. Custodians at each branch will be selected and given responsibility for quarterly cash counts and fill out all necessary paperwork.</p>
<p>Two employees take Main Library deposits to Customer Service at City Hall twice a week using their personal vehicle.</p> <p>Cash Handling Policies state that deposits should be made no later than the next business day to ensure proper posting of accounts and safety of city funds.</p> <p>Staff transport of funds increases the risk of theft or loss and reduces employee safety.</p>	<p>8. Ensure deposits are made no later than the next business day.</p> <p>9. Consider arranging for armored car pickup of deposits from the Main Library.</p>	<p>8. Concur. An armored car service will be implemented by April 15, 2015 for the Main and Foothills libraries. This will also ensure deposits are made the next business day.</p> <p>9. See management response 8 above.</p>
<p>Library procedures do not discuss the requirement for changing safe combinations and cash register access numbers.</p> <p>Periodic changes in safe codes and cash register access numbers reduces the risk of unauthorized access to cash.</p>	<p>10. Ensure internal procedures address when safe combinations and cash register access numbers should be changed.</p>	<p>10. Concur. This will be implemented by March 24, 2015. Although there is nothing in the Cash Handling Policy that states codes should be changed periodically (other than a change in personnel), the Library will start an annual "purge" each December of codes where staff will be required to change their passwords. This is being placed in the Library SOPs.</p>



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<p>The cash register drawer (including daily collections and the \$150 change fund) and the \$200 backup change fund are stored unlocked in the safe.</p> <p>Cash should be stored in locking bank bags to prevent unauthorized access or tampering.</p>	<p>11. Ensure funds stored in the safe are secured in locking money bags.</p>	<p>11. Concur. This will be implemented by April 15, 2015. Although current Cash Handling Policy does not state anything about money needing to be stored in locked money bags, they will be purchased as recommended.</p>
<p>A review of the log of bank bag and deposit slip numbers identified numerous gaps in sequence without any explanation for these gaps.</p> <p>Gaps in sequences can indicate that deposits have been tampered with, increasing the risk of theft or loss.</p>	<p>12. Ensure pre-numbered bank bags and deposit slips are accounted for and monitored.</p>	<p>12. Concur. This will be implemented by April 15, 2015. The staff responsible for the sequential deposit gaps - as noted by the Auditor - has received documented counseling. A log will be started and kept each time that deposit bags and deposit slips are used and opened. Staff will keep the bag numbers in order and note reasons if one is spoiled. Two separate logs will be established for the two types of deposits. Staff will also be reminded to log all spoiled bags or slips, which will be labeled "VOID" and taped to the daily accounting sheet.</p>
<p>The key to access the safe room is the same key that opens all internal doors at the Main Library. Numerous staff members have been issued this key.</p> <p>Limited access should be provided to areas where cash is counted and stored to prevent the risk of theft or loss.</p>	<p>13. Ensure the key to access the safe room is changed and distributed only to those requiring access.</p>	<p>13. Concur. This has been completed at the Main Library. A deadbolt was installed on February 27, 2015. The room will be locked while deposits are being completed. The Chief Librarian and Branch Manager will be the only two with keys. Deadbolts will also be installed at Velma Teague and Foothills by May 1, 2015.</p>



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<p>The cash register at the circulation desk is not located in an area physically segregated from public access. Security cameras are not positioned to provide a clear view of the cash register.</p> <p>Unrestricted public access to cash registers increases the risk of theft. If an incident occurs, it may be difficult to retrace what occurred if cameras are not positioned to provide a clear view of the cash register.</p>	<p>14. Ensure the cash register is located in an area physically segregated from public access.</p> <p>15. Ensure security cameras are positioned to provide a clear view of the cash register area.</p>	<p>14. Concur. This has been completed at the Main Library. On March 20, 2015, Facilities Management installed a chained barrier to separate public from staff cashier. The same will be done at Velma Teague and Foothills by May 1, 2015.</p> <p>15. Concur. This was completed at the Main Library on March 10, 2015. Additional cameras will be purchased and installed at Foothills and Velma Teague by June 30, 2015.</p>
<p>The Main Library began maintaining a safe log on October 8, 2014. The log records the names of the two individuals accessing the safe, along with the date and purpose for access. A review of the log from October 8, 2014 to February 11, 2015 identified 11 incidents where the log was only signed by 1 individual.</p> <p>Accessing the safe in single custody increases the risk of theft or loss.</p>	<p>16. Ensure the safe log is monitored and signed in dual custody.</p>	<p>16. Concur. This was a staff failure to follow established protocols. The lack of a second signature was in error and those involved have received a documented counseling as of March 20, 2015. Two staff people have always been in dual custody of the money. All staff has been spoken to and reminded of the importance of the two signatures.</p>

Please let me know if you have any questions.

cc: Michael D. Bailey, City Attorney  
 Jennifer Campbell, Assistant City Manager  
 Tom Duensing, Finance and Technology Director  
 Julie Frisoni, Assistant City Manager  
 Erik Strunk, Community Services Director