

# AUDITOR-CONTROLLER/ TREASURER/TAX COLLECTOR



COUNTY OF SAN BERNARDINO

222 West Hospitality Lane, Fourth Floor  
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 386-8830

172 West Third Street, First Floor  
San Bernardino, CA 92415-0360 • (909) 387-8308 • Fax (909) 387-6716

**LARRY WALKER**  
Auditor-Controller/  
Treasurer/Tax Collector

February 9, 2011

**Leonard Hernandez, County Librarian**

County Library  
104 West Fourth Street  
San Bernardino, CA 92415-0035

**SUBJECT: LIBRARY CASH CONTROLS FOLLOW-UP AUDIT**

## Introductory Remarks

In compliance with Article V, Section 6, of the San Bernardino County Charter, the Board of Supervisor's Policy Statement on Internal Operational Auditing, and the Internal Controls and Cash Manual (ICCM), we have completed a follow-up audit of the County Library's Cash Controls. Our audit was conducted in accordance with the Standards for the Professional Practice of Internal Auditors.

## Objectives, Scope and Methodology

The objective of this follow-up audit was to determine whether the Library implemented the recommendations contained in an earlier report, *Library Cash Controls Follow-Up Audit* issued on November 16, 2009. To determine the implementation status of the recommendations, we:

- Interviewed Library employees
- Reviewed and analyzed controls
- Conducted site visits at the Apple Valley, Big Bear, Chino Hills and Hesperia Branch to observe if procedures are being followed.

## Conclusion

One of the two recommendations from the previous report has been implemented by the County Library. The recommendation to address the lack of accountability for cash finding has been implemented and no further follow-up on this recommendation will be necessary. The recommendation to address the observation that overages and shortages are being handled inappropriately is still pending implementation. It should be noted that the County library has taken steps to ensure they handle the overages and shortages appropriately however they are currently in the process of finalizing those procedures. The Auditor-Controller/Treasurer/Tax Collector's office will conduct a follow-up audit within six months to verify that this recommendation has been implemented.

A draft report was delivered to the County Library on January 6, 2011 and the results were discussed on January 11, 2011. Management's responses have not been altered in any way and are included below as they were provided to us.

### **Prior Audit's Observations, Findings and Recommendations with Current Status**

The details of the prior audit's observations, findings and recommendations and their implementation status are below:

#### **Observation: Overages and Shortages Handled Inappropriately**

It was found that the Library was netting its overages with its shortages (thereby understating both) as shown on a representative sample of the Library's Daily Money Reports. This is contrary to the Internal Controls and Cash Manual (ICCM) and also violates Government Code (GC) 50050, which states:

*Except as otherwise provided by law, money, excluding restitution to victims, that is not the property of a local agency that remains unclaimed in its treasury or in the official custody of its officers for three years is the property of the local agency [only] after notice if not claimed or if no verified complaint is filed and served.*

Even small or non-differentiated items must be kept in a separate fund for a period of one year. As is stated in GC 50055:

*Any other provision of this article notwithstanding, any individual items of less than fifteen dollars (\$15), or any amount if the depositor's name is unknown, which remain unclaimed in the treasury or in the official custody of an officer of a local agency for the period of one year or upon an order of the court may be transferred to the general fund by the legislative body without the necessity of publication of a notice in a newspaper.*

By reducing the Library's overages by its shortages, the overages cannot be claimed by the patrons that overpaid, which is required by GC 50050 and 50055.

#### **Recommendation:**

We recommend that all overages be deposited in the countywide overage fund (Fund AOV-Dept OVR) and shortages be reported to the Internal Audits Section of the office of the Auditor/Controller-Recorder according to the instructions in the ICCM on pages 5-3 through 5-5 and 6-8.

**Current Status:** *Pending implementation.* The Library is currently in the process of finalizing the procedures on how to handle overages and shortages. The library expects to have the procedures finalized and implemented by January 31, 2011. A follow-up audit will be scheduled at that time.

**Management Response:** The Library concurs with the Auditor's findings and has successfully implemented a new procedure to account for the overages and shortages as recommended by the Auditor. The Library is ready to begin the reporting process for these overages and shortages beginning in the month of February 2011. The Library will complete the reconciliation for the January 2011, Cash Report Summary by February 18, 2011, and will then be available for the Auditor to perform the audit as mentioned above.

**Finding 1: Lack of Accountability for Cash**

Cashiers did not sign for change funds when they took possession of them.

In addition, management allowed multiple staff members to work from the same cash drawer. The Library did not have a cashiering system that allowed each cashier to operate a separate cash drawer.

The Library had documented numerous shortages and overages in daily cash receipts. Because employees work from the same cash drawer, management was unable to determine the source of these discrepancies. Therefore, management was unable to take the appropriate actions to reduce daily errors.

**Recommendation:**

We recommend that Management:

- Modify the current library management system configuration to assign each individual cashier a unique user log-on identification;
- Modify the current library management system configuration to print a separate revenue report for each Cashier logged on to a workstation;
- Assign each employee a separate cash drawer with its own key; and
- Ensure that each employee counts and signs for their cash before beginning their shift.

**Current Status:** Implemented

Thank you very much for the cooperation extended by your staff during the course of this audit.

Respectfully submitted,

**Larry Walker**  
Auditor-Controller/Treasurer/Tax Collector

By:   
Mark Cousineau,  
Chief Deputy Auditor  
Internal Audits Section

Quarterly copies to:  
County Executive Officer  
Board of Supervisors (5)  
Grand Jury (2)

Date Report Distributed: 2-14-11