
CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR



Follow-Up Audit of Public Library
Billing and Collection of Fines and Fees
Project No. AU16-F02
February 14, 2017

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted a follow-up audit of the action plans made in the Audit of the Public Library Billing and Collection of Fines and Fees dated April 7, 2015. The objective for this follow-up audit was:

Determine if the Public Library successfully implemented action plans to address prior audit recommendations noted in the initial audit.

We determined that the Public Library has successfully implemented action plans to address the majority of findings identified in the prior audit. Monitoring controls were established and are operating effectively to ensure the accuracy and completeness of the accounting and reporting of fines and fees. Reconciliations have also been implemented to ensure compliance with the key terms of contracts for copy/print services and library room rentals. In addition, the Millennium System administrator has strengthened security and system access controls.

However, we did note two areas where improvement is still needed:

- Reviews conducted by the department fiscal administrator are not thorough to ensure that all eligible delinquent patron accounts are referred to Unique Management Services (i.e. collection agency) on a monthly basis. Consequently, the risk of all eligible accounts not being submitted for collection still exists.
- Reconciliations performed monthly by the Procurement Specialist to validate the accuracy of the collection agency commission invoices needs improvement. Billing errors identified are not investigated.

The Public Library's Management agreed with the audit findings and has developed positive action plans to address them. Management's verbatim response is in Appendix C on page 11.

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Background

In April 2015, the Office of the City Auditor completed an audit of the Public Library's Billing and Collection of Fines and Fees process. The report was issued on April 7, 2015 and the objective of the audit was to determine if controls over the Library's process for billing and collection of fines and fees are adequate.

The Office of the City Auditor concluded that the Public Library did not have standard processes in place to serve as effective controls to ensure that revenue and expenditures for fines and fees are adequately monitored for accuracy and compliance in the following areas:

- Contract with Unique Management Services for recovery of fines and fees
- Accounting and reporting of revenue and accounts receivable accounts
- Contract with DOCUmentation, Inc. for copy and print services
- Contracts with the public for room rentals
- Compliance with City AD's and internal policies for adjustments/corrections to patron accounts
- General IT Controls for the Millennium System

The Public Library's management agreed with the conclusions and developed action plans to address the audit recommendations (refer to Appendix A – Prior Audit Recommendations).

Audit Scope and Methodology

The audit scope was limited to the recommendations and corrective action plans made in the original report and covered processes within the timeframe from October 2015 to August 2016.

The audit methodology consisted of interviewing Library personnel to obtain an understanding of newly implemented controls and new processes in place for delinquent patron account collection efforts, accounting and reporting of fines and fees, lease payments made to the copy/print vendor, safeguarding controls for printing equipment, and reviews to ensure the accuracy of revenue collected from library meeting room rentals.

We relied on computer-processed data in the Millennium System and SAP to validate patron records, payments, and outstanding balances. The Library uses the Millennium System and SAP to manage its circulation and accounting records. In addition, we tested the general application controls regarding system access and user account management for the Millennium system.

We conducted this follow-up 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Management's Action Plans and Status

A. Contract for Recovery of Fines and Fees

A1. Management's Action Plan:

The Library is submitting all eligible prioritized accounts for collection. All prioritized accounts are tracked in a master log for evidence of monitoring efforts by the contract administrator. As a result of the audit, the Library Fiscal Office will work with the collection agency to ensure that all eligible accounts are submitted for collection, not just the prioritized accounts.

Status: Partially Implemented

The Library implemented a new Account Referral procedure that includes a review by the department fiscal administrator (DFA) to ensure that all eligible accounts are referred to Unique Management Services (i.e. collection agency) on a monthly basis.

Based on our review, we confirmed with the DFA that a thorough review to ensure that all eligible accounts are referred to the collection agency is not taking place. Instead his review was to ensure the number of accounts being submitted (500 or more) versus tracking that all eligible accounts are appropriately captured and included in the monthly submission report.

Patron accounts are considered eligible for collection agency efforts once a patron account meets a threshold of \$25 outstanding balance and no payment activity within a 60 day period.

Failure to appropriately track and submit delinquent patron accounts increases the risk of lost revenue.

Updated Recommendation

The Library Director should ensure that the DFA is conducting a thorough review to ensure that all eligible accounts are tracked and submitted to the collection agency.

A2. Management's Action Plan:

The Library Department has generated a Millennium notification report and implemented a process to ensure the accuracy of the patron notification notices and commission amount billed on a quarterly basis. The Library Department coordinated with Finance Compliance and Resolution to develop and document a

process to validate invoices. A statistically valid sampling process has been implemented based on the report to ensure the accuracy of the billing.

Sampled accounts will be reviewed in Millennium and confirmed that billing is allowable on the account. Also, separation of duties has been implemented in the review of the sampling and billing validation process. Billing errors will be immediately submitted to the vendor.

Status: Partially Implemented

While reconciliations are taking place, billing discrepancies identified are not being addressed with the collection agency.

Per Invoice Verification procedures, the Procurement Specialist is to perform a reconciliation between a sample of patron accounts listed on the collection agency monthly invoices to the corresponding Millennium System accounts. If errors are discovered during the comparison, then an email is sent to the collection agency account representative who will initiate an investigation and report the results. The email containing the investigation results is then attached to the reconciliation.

The procedure to notify the collection agency is not taking place, consequently discrepancies are not being investigated for validity.

Without communicating billing errors to the collection agency, the Library is susceptible to paying invalid commission fees.

Updated Recommendation

The Library Director should ensure compliance with department procedures so that billing discrepancies are immediately communicated to the collection agency, investigated, and results are supported and kept on file.

A3. Management's Action Plan:

As recommended in the audit, the Library Department has made the determination based on a thorough review of the contract and a legal consultation with the City Attorney's Office that the collection agency fee and processing fee should be included in the commission calculation.

In addition, the Library Department submitted a claim on February 27, 2015, for over-payment of commission in the amount of \$2,136 as identified under this audit. A review process has now been implemented to validate payments to avoid possible overpayment. If commission over-payments are ever made in error again in the future, the Library Department will immediately submit claims for deficiencies.

Status: Implemented

The Library determined that the collection agency fee and processing fee should be included in the commission calculation.

In addition, Unique Management Services (i.e. collection agency) sent the Library a letter on July 12, 2015 and noted that they believe the commission charges of \$2,136 were accurate and the claim for reimbursement was unwarranted. Per department fiscal administrator, the Library accepted the results of the collection agency's findings and did not appeal their decision.

B. Monitoring of the Library's Revenue and Accounts Receivable Accounts

Management's Action Plan:

Finance agreed with the finding that the receivable balance recorded in SAP should have been coded to the Library business area as opposed to the Finance business area, and in FY 2014 began reporting Library's receivables in that manner.

Finance additionally modified its revenue analysis process within the past few years to adjust the revenues to only consider the subsequent collections of receivables at year-end that are collected within 60 days and deferred the remaining balance for future collections. This process effective FY 2014 has been documented and communicated with Library fiscal staff.

Status: Implemented

The City's Finance Department documented and communicated the accounts receivable (A/R) process effective FY 2014 with Library fiscal personnel. In addition, the Library and the Finance Department discussed collectability projections based on industry historical collection rates. The rates have been established and were applied to the FY 2015 A/R balance to determine the amount that will be collected in the future from delinquent accounts.

C. Contract for Copy and Print Services

C1. Management's Action Plan:

In response to the audit finding, the Library Department has developed, documented and implemented a process to maintain a log of meter readings and now performs a monthly reconciliation between the vendor's monthly usage reports and the meter reading logs. The Library Fiscal Office is now performing the monthly reconciliations. As discrepancies are identified they will be submitted to the vendor for immediate resolution.

Status: Implemented

Fiscal personnel are now performing monthly reconciliations between the vendor's monthly usage reports and the daily meter reading logs obtained from the library branches. Discrepancies are being submitted to the vendor for resolution.

C2. Management's Action Plan:

The Library Department has implemented a process to ensure that the physical inventories of the copiers and printers at Library locations agrees to the inventory listed on the vendor's usage report. Library staff has conducted an initial inventory and submitted to the Library Fiscal Office. No discrepancies were identified. Library locations will conduct a semi-annual inventory of copiers and printers and submit inventory to the Library Fiscal Office for reconciliation. Discrepancies will be submitted to the contractor for immediate correction.

Status: Implemented

Library personnel perform semi-annual inventories of all copier/printers located in their respective branches. Fiscal personnel also conduct a monthly reconciliation between the equipment identification numbers obtained from the inventories to the vendor's invoices. The internal control in place ensures that the Library is only billed for valid lease expenses from the vendor.

D. Contracts for Library Room Rentals

Management's Action Plan:

A new manual process has been implemented to reconcile room rental contracts and room rental fees to address this audit finding. Library locations with meeting room venues will perform a weekly reconciliation of outlook reservation calendar to room rental contracts to room rental fees. Copies of contracts and Outlook calendar will be submitted along with the reconciliations to Library Fiscal Office on a weekly basis for review and approval.

Status: Implemented

The Library developed a formal room rental contract review process to include a weekly reconciliation between the signed contracts and the amount of revenue collected. Additionally, the department fiscal administrator or the senior accountant reviews and approves the reconciliations.

E. Adjustments/Corrections to Patron Accounts

E1. Management's Action Plan:

Based on the audit finding, all refunds will be reviewed on a monthly basis by the Library Fiscal Office. Refund processing documentation will be reviewed for proper approval and accuracy by someone else other than preparer to provide the recommended separation of duties. Corrections will be immediately processed.

Status: Implemented

Refund Review procedures have been updated and controls are working as expected to ensure that fiscal personnel review all refunds on a monthly basis and verify that all refunds are supported, accurate, and charged to the original credited revenue general ledger account.

E2. Management's Action Plan:

Based on the audit finding, the Library Department has implemented additional processes to ensure that adjustments and corrections have been properly approved and justified in Millennium. A monthly report will be generated by the Library Fiscal Office to identify adjustments/corrections without the proper justifications and submitted to the appropriate manager for resolution to ensure proper documentation on all adjustments and corrections.

Status: Implemented

Library fiscal personnel updated and implemented their Fine Adjustment policy requiring all adjustments/corrections to be supported with justification in the Millennium System.

Based on our review, we determined that controls are working as expected to ensure that adjustments are properly approved and justified in the Millennium System.

F. General IT Controls for the Millennium System

Management's Action Plan:

The Library Department has begun to implement a two-step process to address this issue: 1. The creation of a password policy that more closely matches the City's current recommendation. 2. A formal, well-defined, documented and auditable process for the assigning and removing of accounts within Millennium.

As an additional verification to confirm all appropriate account management has occurred and accounts are up to date, Digital Services will conduct an annual check of all active Millennium Accounts.

Status: Implemented

To ensure compliance with City Administrative Directives 7.4A - Acceptable Use of Information Technology and 7.8d - Access Control, the Millennium System administrator established a formal user password criteria and implemented controls to manually expire user passwords every 90 days. Additionally, a formal process to document changes made to user accounts was implemented and all system accounts are reviewed annually to ensure that only current employees have access to the system.

Appendix A – Prior Audit Recommendations

A. Contract for Recovery of Fines and Fees

The Library Director should:

- Implement a process to ensure that all accounts are submitted to the collection agency. Consider keeping a tracking log that assists in ensuring that all overdue accounts are referred. The tracking log should be reviewed and signed monthly as evidence of monitoring efforts.
- Consider generating a report from the Millennium system that is sorted by number of notifications, and use the report as a source to perform a reconciliation to ensure that invoices for patron notifications are accurate. Additionally, the reconciliations should be reviewed and approved by someone other than the preparer.
- Implement a standard process for ensuring the accuracy of the commission amount billed on a quarterly basis. A reconciliation of the amount reported on the Unique Collection Statements to the amount recorded in the Millennium System should be conducted. Additionally, the reconciliations should be reviewed and approved by someone other than the preparer.
- Notify contractor of differences in commission calculations and request reimbursement. Contract Sec 4.3 states "At the end of the term of the contract, the City will make a claim for any deficiency."
- Ensure that library employees with overdue fines are tracked and followed up on timely. Internal policies should be updated to document the current collection process.
- Determine if the collection agency fee and the processing fee should be included in the commissions paid to the vendor.

B. Monitoring of the Library's Revenue and Accounts Receivable Accounts

The Library Director in conjunction with Finance should implement policies and procedures that provide guidance in monitoring the Library's accounts receivable. The process should include account reconciliations as well as an annual review of the accounts in SAP. Additionally, updates to accounting methods should be documented and communicated to appropriate personnel.

C. Contract for Copy and Print Services

The Library Director should:

- Maintain logs of monthly meter readings. The logs should be updated when the vendor collects and records the monthly meter readings. Perform a monthly reconciliation between the vendor's monthly usage reports and the meter reading logs.
- Perform physical inventories of the copiers and printers located at the libraries. Ensure that the inventory count agrees to the inventory listed on the vendor's usage report.

D. Contracts for Library Room Rentals

The Library Director should implement a formal room rental contract review process. Contracts should be tracked and tied back to the room rental event Outlook calendars, the Millennium system, and SAP.

E. Adjustments/Corrections to Patron Accounts

The Library Director should:

- Implement controls to ensure that all refunds are properly approved and coded appropriately after the refunds have been processed in SAP.
- Implement controls to ensure that all adjustments/corrections are properly approved and an explanation of the adjustment is provided in the Millennium system.

F. General IT Controls for the Millennium System

The Library Director should strengthen security and access controls for the Millennium System and ensure compliance with the City's Administrative Directives implemented by the Information Technology Services Department.

Appendix B – Staff Acknowledgement

Sandy Paiz, CFE, Audit Manager
Christopher Moreno, CFE, Auditor in Charge
Sheryl Wardashki, CPA, Auditor
Patricia Perez, Auditor

Appendix C – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

January 31, 2017

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Acknowledgment and Corrective Action Plan for the Follow Up Audit of the Public Library Billing and Collection of Fines and Fees

- ☒ Fully Agree (provide detailed comments)
- ☐ Agree Except For (provide detailed comments)
- ☐ Do Not Agree (provide detailed comments)

The San Antonio Public Library has reviewed the audit report and has developed the Corrective Action Plans below for the new recommendations.

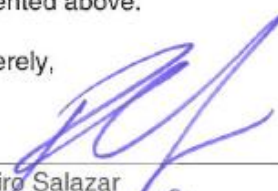
Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
A1	Contract for Recovery of Fines and Fees The Library Director should ensure that the DFA is conducting a thorough review to ensure that all eligible accounts are tracked and submitted to the collection agency.	3	Accept	Kathy Donellan/Assistant Director	October, 2016

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p>Action plan:</p> <p>Management accepts the audit finding and implemented a review by the Library Fiscal Administrator (DFA) of referred accounts in 2016 to address this finding.</p> <p>This audit finding was fully addressed in October, 2016. The Library's process to properly extract, reconcile and refer accounts for collection and materials recovery is as follows:</p> <ul style="list-style-type: none"> • Since 2011, the library fiscal office has maintained a record of the report of accounts for referral. The oldest report has a date of January 3, 2011. • Since October, 2016, the Library Department added a DFA review of the referred accounts report prior to submission to the vendor for materials recovery and collection to ensure completeness of data. • The process since October, 2016 is that the appropriate member of the fiscal office runs a "raw report" from the Millennium Library system of accounts that meet the parameters for referral. • The "raw report" is then edited by the originating fiscal team member to remove non-billable accounts. The resulting report is called the "review" report. • Both the "raw" and "review" reports are transmitted to the DFA for final review for appropriateness, completeness, and sign off, with date of signature. This sign off indicates formal approval of the accounts for referral to Unique Management Services (the firm that pursues materials recovery and payment on library accounts.) • The "raw" and "review" reports with dates and signatures are kept on file. • This process will ensure all eligible accounts are tracked and submitted to the collection agency. 				
A2	The Library Director should ensure compliance with department procedures so that billing discrepancies are immediately communicated to the collection agency, investigated, and results are supported and kept on file.	4	Accept	Kathy Donellan, Assistant Director	Fully implemented by FY 2017, 2 nd Quarter

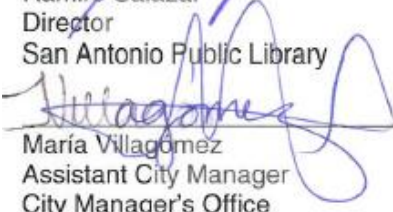
Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p>Action plan: The current procedure is as follows:</p> <ul style="list-style-type: none"> On a monthly basis, the assigned Library staff member extracts a Collection Statement from the vendor's website. The Library staff member takes a random sample of accounts exceeding the commission paid on amounts in excess of \$90.00, but never less than 3 accounts per page. These accounts are validated by reconciling the amount paid listed on the Collection Statement extracted from the vendor's website against the transactions listed in the patron's Millennium library account. If any irregularities are identified and the staff member cannot reconcile to the Unique billing, it is communicated to the Unique Management Services account representative to derive additional back up information. Any additional back up information provided is reviewed with the DFA. <p><u>Additional action based on follow up audit finding:</u></p> <ul style="list-style-type: none"> In consultation with Central Finance, the Library will implement a pre-invoice reconciliation process. Prior to a vendor invoice being sent, the Library will receive a review file from the vendor for the proposed billing amount. The library will perform reconciliation. Library will notify the vendor of the reconciled billing amount and an invoice can be issued at that point for the agreed amount. Any billing amounts from the review file that cannot be reconciled to the Library's satisfaction will be held from the invoice process and the vendor will be required to submit additional back up to properly document the additional bill amount and submit a subsequent invoice. If the additional bill amount cannot be properly documented the Library will only pay for the accounts that are reconciled and validated. 				

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,



Ramiro Salazar
Director
San Antonio Public Library



Maria Villagomez
Assistant City Manager
City Manager's Office

1-31-17
Date

1/30/17
Date