



# City of San Antonio

## Agenda Memorandum

**File Number:**15-3790

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**Agenda Item Number:** 4.

**Agenda Date:** 6/16/2015

**In Control:** Audit Committee

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### **AUDIT COMMITTEE SUMMARY**

**June 16, 2015**

**Audit of the Public Library - Billing and Collection of Fines and Fees**

Report Issued April 7, 2015

### **Background**

The San Antonio Public Library is governed by a City Council appointed Board of Trustees. The Board is responsible for providing strategic oversight for the Library system, including the management, care, control and maintenance of all system properties. The Library Director is the chief executive and administrative officer of the Library.

The City maintains and operates 25 library branches. In addition, the City shares joint responsibility with the North East Independent School District to service the Molly Pruitt Library at Roosevelt High School. Library operations are funded through the City's general fund and other resources such as federal and state grants; private donations; and an interlocal agreement with Bexar County to extend library services to all county residents. The Library's FY 2015 operating budget was approximately \$35 million dollars.

### **Audit Objective**

Are controls over the Library's process for billing and collection of fines and fees adequate?

### **Audit Scope & Methodology**

Our audit scope included reviews of financial contract terms between the Library and 3rd party vendors, interlocal agreements for use of Library services, and fines and fees charged to patron accounts for FY2013.

We reviewed the financial aspects of the collection agency contract with Unique Management Services, printing services contract with DOCUmentation Inc., room rental contracts, and the interlocal agreement in place with Bexar County. Additionally, we reviewed the accuracy and completeness of refunds and adjustments/corrections granted to library patrons for FY 2013.

### **Audit Conclusion**

No, standard processes do not exist to serve as effective controls to ensure that revenues and expenditures for fines and fees are adequately monitored for accuracy and compliance.

We noted that monitoring processes to ensure compliance with 3<sup>rd</sup> party vendor contracts, interdepartmental agreements and internal policies do not exist or need improvement. Specifically,

- Controls did not exist to ensure the accuracy of amounts paid each quarter for collection services conducted (for recovery of fines and fees) by Unique Management Services.
- Controls did not exist to ensure the accuracy of the vendor usage reports used to calculate commission due from DOCUmentation for revenue generated from photocopier usage.
- Standard monitoring controls are not effective for monitoring of revenue generated from Library room rentals.
- Internal policies to ensure that customer refunds/adjustments are adequate were not always followed.
- An account reconciliation of the departments account receivable general ledger accounts is not taking place. Consequently, net accounts receivable GL balances were significantly misstated at the department level. Additionally, changes in accounting methods used to record unearned and earned revenue went unnoticed.
- The Library is not in compliance with the City's IT directives. Consequently, user password criteria has not been established, periodic user account reviews are not performed, terminated employees have active user accounts, and employees appear to have privileges that do not seem appropriate based on their job titles.

We made recommendations to address the issues identified. Library management concurred with our observations and recommendations and developed a positive corrective action plan.