



DATE: September 10, 2014

To: Board Of Estimate & Taxation Audit Committee Members

From: The Internal Audit Department

Subject: Internal Audit Report: Limited Scope Review of the Greenwich Library's Internal Controls for Cash Receipts.

Enclosed for your review is the Internal Audit's report entitled "Limited Scope Review of the Greenwich Library's Internal Controls for Cash Receipts. The report contains observations and recommendations regarding internal controls utilized by the Greenwich Library for the cash collections of Library fines and use of the Library's printers.

We would like to express our appreciation for the excellent cooperation extended to us by the personnel of the Greenwich Library during the course of this review.

Enclosure

cc: P. Mynarski, Comptroller
B. Ormerod- Glynn, Director Greenwich Library

**TOWN OF GREENWICH
INTERNAL AUDIT**

**Limited Scope Review
of the Greenwich Library's Internal Controls
for Cash Receipts**

Audit Scope, Objective and Background

The Internal Audit Department recently completed an on-site review of the Greenwich Library's internal controls for cash handling on September 10, 2014.

The objective of this review was to determine if policies and procedures for cash handling and receipting are established and operating effectively. Our review focused on specific audit objectives to determine if cash and checks received during the business day are deposited daily, proper cash receipting practices are in place and cash and checks received are properly safeguarded.

The Library collects fees for late returns on borrowed publications. Annual library fines revenues approximate \$185,000. The Greenwich Library offers a variety of programs and services to the community from collections of children and adult books, digital e-books, audiobook collections, children and adult music, DVD's and video games, periodicals, networked computers, technology training, reference assistance and study rooms.

Summary Opinion

It is Internal Audit's findings that internal controls over cash collections for Greenwich Library are strong. We do, however, make several recommendations to improve internal controls. The Recommendations Section of this report addresses our findings.

Summary Findings and Observations

The Greenwich Library charges overdue fees on late returns on borrowed materials. Cash and check payments are accepted. Credit card payments are not accepted. For late fees collections, there is one cash drawer with startup cash. With each late fee payment, the customer receives a cash register receipt. We observed check payments received are not immediately endorsed. At the end of the business day, the cashier prints a cash register report that tabulates all fees collected. The currency along with the reports is placed in a safe. We received testimony that there are 21 employees who have access to this combination safe. The next business day the Library Technician Assistant counts the money and prepares a reconciliation sheet. This Technician also maintains an Excel sheet of the daily cash received. The money and report is placed in a locked bank bag and hand delivered to the Account Clerk. The reconciliation is reviewed by the Account Clerk. The Account Clerk prepares the deposit slips. Daily bank deposits are made Monday through Friday. The cash collections for Saturday and Sunday are deposited the next business day. The review process conducted by Account Clerk is a strong internal control practice as the Account Clerk is not involved in the cash handling process and does not produce the actual reconciliation. A weekly transmittal sheet is sent via interoffice mail to the Finance Treasury Department.

The Greenwich Library also receives cash for the use of the Library's printer that generates approximately \$29,000 in annual revenue. The funds are deposited into the Greenwich Library's Photocopies, Record, and Report Account. The printing revenue is collected by two staff members three times a week. The cash operated printer machines display the total amount of coins received since the last collection. With each collection, the machines totals are reconciled to the amount of cash removed from the machines. The reconciliation is formally recorded to paper. The Account Clerk prepares the deposit slip. A deposit is made the same day the cash is collected from the machines. A weekly transmittal sheet is sent via interoffice mail to the Finance Treasury Department.

Overall, it is our opinion that the internal controls in place are operating effectively. However, we make the following internal control recommendations to improve on the existing practice.

Recommendation I

Limit the number of staff that has access to the Lending Area safe.

Internal Audit received testimonial that there are 21 staff members that has access to the safe located in the Lending Area. This number should be restricted to a few supervisory employees who cover the work shifts.

Response from Greenwich Library

We agree. We will reduce the number of staff that has access to the Lending Area safe to the greatest extent possible while still allowing us to cover all the shifts for our seven day a week operation. We will begin this process by immediately eliminating permission for the five part timer employees who currently have access to the safe.

Recommendation II

In accordance to the Finance Accounting Manual, all checks should be immediately endorsed as soon as practicable upon receipt with a restrictive endorsement.

We observed that checks received during day are not endorsed early in the receipt process. The checks are stored in the cash drawer until the cashier removes checks and cash for storage in the safe overnight. The following day the Library Technician Assistant prepares the reconciliation. The reconciliation and the day's cash and checks are forwarded to the Account Clerk who prepares the actual deposit slip. As part of that process, the Account Clerk will stamp endorse the checks. We recommend that the checks be endorsed as soon as practicable upon receipt as opposed to the end of the process as currently practiced. The Finance Accounting Manual requires that the checks should be immediately endorsed upon receipt.

Response from Greenwich Library

We agree. We will implement this recommendation at the Greenwich Library. We will also implement the same practice at the Byram Shubert and Cos Cob Libraries.

Recommendation III

The Greenwich Library Account Clerk should provide a monthly revenue report to the Program and Operations Library Supervisor.

Proper internal controls require that management review the results of daily transactions. We noted that a monthly revenue report entitled the “General Fund Revenue Report” is prepared that list monthly revenue receipt totals with entries in the MUNIS revenue accounts. The reconciliation is prepared and reviewed by the Account Clerk. This is a strong internal control process with the exception that the revenue report is not forwarded to Management. This report should be forwarded to the Program and Operations Library Supervisor for review.

Response from Greenwich Library

We agree. We note that the account clerk verbally informs the Operations Library Supervisor of any daily discrepancies with cash collections. However, we will formalize the process and require that the monthly revenue report be forwarded to the Operation’s Library Supervisor as a matter of routine.

Recommendation IV

The reconciliation sheet for PC printing fees should be signed.

The reconciliation sheet for lending fees is signed by the employee who performed the accounting. This is a good practice that should also be utilized for the reconciliation sheet used for printing machine generated revenue.

Response from Greenwich Library

We agree and will require that employee who performs the reconciliation sign the sheet.