



STAFF REPORT INFORMATION ONLY

Results of Follow-up of Previous Audit Recommendations

Date:	May 28, 2008
To:	Toronto Public Library Board
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

This report provides the results of the Auditor General's follow-up on outstanding audit recommendations contained in our report dated May 29, 2006 entitled "Fines and Income Review – Toronto Public Library."

The result of our review indicate that management has implemented many of the recommendations made in the audit report. Audit recommendations fully implemented are listed in Attachment 1. Audit recommendations not fully implemented, as well as management's comments and respective action plans are included in Attachment 2. Recommendations considered not fully implemented will be carried forward to our next follow-up review in 2009.

We noted annualized savings were achieved by the Library of \$150,000 through re-negotiation of the photocopy contract and savings of \$50,000 through harmonization of the janitorial supplies contract with City rates.

FINANCIAL IMPACT

There is no financial impact resulting from the receipt of this report.

ISSUE BACKGROUND

The Auditor General conducts an annual follow-up process to ensure management has taken appropriate action to implement recommendations contained in audit reports.

In accordance with the Auditor General’s Work Plan, we have reviewed the status of outstanding audit recommendations previously made in our report dated May 29, 2006 entitled “Fines and Income Review – Toronto Public Library.”

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.

COMMENTS

The follow-up review process requires that management provide the Auditor General with a written response on the status of each recommendation contained in audit reports. For those recommendations noted as implemented, we performed audit work to ensure the accuracy of management’s assertions. Where management indicated that a recommendation was not implemented audit work was not conducted.

Table 1 reflects the results of our current follow-up on audit recommendations for the Toronto Public Library.

TABLE 1:

RESULTS OF THE CURRENT REVIEW

Report Title and Date	Total No. of Recs.	Previously Reported		Results of Current Review		
		Fully Implemented	Not Applicable	Fully Implemented	Not Fully Implemented	Not Applicable
Fines and Income Review – Toronto Public Library	32	--	--	24	8	--
Total	32	--	--	24	8	--

TABLE 2:

**PERCENTAGE OF RECOMMENDATIONS IMPLEMENTED FOR REPORTS
ISSUED BETWEEN JANUARY 1, 1999 AND JUNE 30, 2007**

Status of Recommendations	For Reports Issued:	
	June 30, 2007	Dec. 31, 2005
Fully Implemented	24	--
Not Fully Implemented	8	--
No Longer Applicable	0	--
Total	32	--
Fully Implemented as a percentage of total number of applicable recommendations	75%	--

A listing of audit recommendations implemented by the Toronto Public Library is included in Attachment 1. Recommendations not fully implemented, along with management's comments and respective action plans are listed in Attachment 2 and will be carried forward to the next follow-up review.

A consolidated report will be tabled at the July 10, 2008 meeting of the Audit Committee on the results of the current follow-up of audit recommendations relating to the City's Agencies, Boards and Commissions for reports issued by the Auditor General's Office from January 1, 1999 to June 30, 2007. The results of the current follow-up review for the Toronto Public Library will be included in that report.

CONTACT

Jeff Griffiths, Auditor General
Tel: (416) 392-8461, Fax: (416) 392-3754, E-Mail: Jeff.Griffiths@toronto.ca

SIGNATURE



Jeff Griffiths, Auditor General

ATTACHMENTS

- Attachment 1: Toronto Public Library – Audit Recommendations – Fully Implemented
- Attachment 2: Toronto Public Library – Audit Recommendations – Not Fully Implemented

**TORONTO PUBLIC LIBRARY
AUDIT RECOMMENDATIONS - FULLY IMPLEMENTED**

Report Title: Fines and Income Review – Toronto Public Library
Report Date: May 29, 2006

Recommendations:

1. The City Librarian take steps to develop a process to ensure all write-offs including fines and fees related to past due amounts and the cost of lost materials waived and purged during the year are formally approved by management and reported to the Library Board on a periodic basis.
2. The City Librarian establish financial limits for staff fine and cost of overdue material waivers in the circulation system.
3. The City Librarian implement a process providing for input of staff identification and the reason for a fine waiver when granted in the circulation system.
5. The City Librarian strengthen the process for reporting and follow-up on branch variances from established benchmarks for fine waivers and cost of overdue materials.
7. The City Librarian should integrate cash registers and point-of-sale machines with the circulation system and strengthen cash management controls by implementing a process for more frequent review and reconciliation of cash collection reports with circulation system reports
8. The City Librarian implement the following cash control policies and procedures:
 - (a) Accounting documents should be reviewed and approved by branch managers before being submitted to the Library Accounting Department;
 - (b) Variances on cash collection reports should be followed up by branch staff;
 - (c) Frequency requirements for cash counts and reconciliations should be developed for branches;
 - (d) Limits for the accumulation of funds should be established and funds collected should be deposited timely;
 - (e) Branch bank reconciliations should be reviewed by supervisors;
 - (f) Front desk staff schedules should be documented;
 - (g) Safes and vaults should be located in secure areas, kept locked when unattended, and combination locks changed periodically; and
 - (h) Policies and procedures related to handling petty cash should be enforced.

9. The City Librarian should take steps to either allow for the direct bank deposit of funds by the Access Services Department at the Toronto Reference Library or develop a formal process for cash transfer between the Access Services Department and Accounting Department.
10. The City Librarian should review the cheque receipt and recordkeeping process to ensure adequate separation of duties exists between staff receiving funds and staff updating accounting records.
11. The City Librarian should ensure procedures for transfer of funds includes a protocol for acknowledging receipt of funds.
12. The City Librarian should ensure that the delinquent patron reminder statement regarding transfer of overdue accounts to a collection agency be displayed prominently on the front of the notice so that readers are more likely to read the warning.
14. The City Librarian should review the process for formally validating the corporate status of organizations applying for room booking as not-for-profit.
19. The City Librarian should ensure licenses are acquired based on a review of expected use and actual use is monitored. Centralized room booking system (CLASS) licenses acquired to date should be reviewed and related maintenance costs should be negotiated with the vendor according to expected use.
20. The City Librarian should improve controls on management of leases and lease rentals by:
 - (a) developing a lease agreement process to track lease details including expiry dates to ensure timely lease renewals. In addition, all terms and conditions should be finalized prior to commencement of the agreement; and
 - (b) obtaining post dated cheques in advance from tenants as a means of collecting lease rental revenue on a timely basis.
21. The City Librarian should ensure lease rental write-offs are supported with formal management approval.
22. The City Librarian should renegotiate photocopier rates with the vendor and evaluate other options including the coordination of the Library photocopy contract with the City.
23. The City Librarian ensure existing and future contracts are reviewed and evaluated to take advantage of volume pricing by coordinating with the City.

24. The City Librarian should review the photocopier maintenance payment process to ensure service is not covered under the current maintenance agreement prior to payment. Prior period maintenance costs should be reviewed and any duplicate payments should be recovered accordingly.
26. The City Librarian should direct branches to reconcile charge card machine (“Mini-Till”) reports with daily cash collection reports.
27. The City Librarian should review current controls in the circulation system and ensure data integrity is maintained and adequate records exist for changes made to system records.
28. The City Librarian should ensure the price change control process is formally documented and all price changes in the system adhere to a formal written process.
29. The City Librarian should take steps to minimize the risk of unauthorized access to patron information transmitted to the collection agency. Steps should be taken to ensure the use of secure methods for transmitting data such as data encryption and secure logins.
30. The City Librarian should ensure the formal development of system control processes for:
 - granting staff access to library systems;
 - maintaining access controls lists;
 - ensuring access is provided to appropriate staff and periodically removing users not requiring system access; and
 - enforcing password change controls on a regular basis.
31. The City Librarian should ensure development of implementation plans for planned projects. Projects affecting library branches should be coordinated and communicated to branches and include an agreed upon implementation plan.
32. The City Librarian should ensure the implementation of measures to promote the integrity and accuracy of inventory records, and minimize errors when receiving and processing returned material.

ATTACHMENT 2

**TORONTO PUBLIC LIBRARY
AUDIT RECOMMENDATIONS – NOT FULLY IMPLEMENTED**

Report Title: Fines and Income Review – Toronto Public Library
Report Date: May 29, 2006

No.	Recommendation	Management's Comments and Action Plan/Time Frame
(4)	<p>The City Librarian consider the implementation of the following features for the proposed Library circulation system:</p> <ul style="list-style-type: none"> - automated controls for limiting waivers and fine overrides in accordance with staff access levels; and - capability of generating more periodic reports related to collections and waivers including fine waivers over certain limits, cumulative fines waived by account, fine waivers by staff identification and the reasons for the waiver. 	<p>Management provided extensive training on fines collections and waiving to front line staff during 2006 and 2007. It also developed benchmarks to help monitor and control the level of waives by branches. These benchmarks were achieved for the first time in 2007. Management also reviewed options for incorporating automated controls for limiting waivers and fine overrides. It determined that together with system limitations, it is not operationally feasible to incorporate automated controls on limiting waivers and fines overrides.</p> <p>The new integrated library management system (ILS) implemented in February 2008 has greater reporting capability. The cost of additional reports and monitoring will be evaluated against potential benefits during 2008.</p>
(6)	<p>The City Librarian develop and implement a process for more frequent review of fine waivers and the cost of lost materials by branch managers and Library management</p>	<p>As noted in recommendation # 4, the Library uses benchmarks to monitor waives, and the benchmarks were achieved in 2007. As the new ILS has greater reporting flexibility, the streamlining of quarterly reporting and review of waivers will be explored during 2008.</p>
(13)	<p>The City Librarian should implement a process for verification of collection agency invoices ensuring variances are investigated, and incorrect entries are adjusted accordingly. Reported instances should be investigated and excess payments, if any, made to the collection agency in the past should be recovered.</p>	<p>In February 2008, the Toronto Public Library completed implementation of a new ILS, Symphony. There are certain system issues that IT is working to resolve. The reconciliation process will be initiated during the second quarter of 2008 after system issues are resolved.</p>
(15)	<p>The City Librarian should ensure that outstanding balances for room bookings are recorded in the accounting system and reported in the financial statements.</p>	<p>Management has planned to complete implementation of the centralized room booking system (CLASS) by the end of 2009. The CLASS system will provide information on outstanding balances which will be recorded in the accounting system.</p> <p>Currently, 50% of branches with meeting rooms are on the CLASS system.</p>

<p>(16)</p>	<p>The City Librarian should develop policies and procedures for:</p> <ul style="list-style-type: none"> (a) collecting advance payment for room bookings; (b) ensuring timely follow-up on outstanding room rentals; and (c) maintaining complete records of room bookings and outstanding room rentals by branches not using the centralized room booking system (CLASS). 	<p>Management has planned to implement the following during 2008.</p> <ul style="list-style-type: none"> (a) The revised business practices that will require payment, preferably by credit card, before a confirmed booking. This will improve controls and lessen the number of outstanding and overdue accounts. (b) Develop a procedure for timely follow-up of outstanding payments. This will include access to reports for past due accounts and expired credit cards. (c) Non-centralized branch staff maintain booking information files and routinely follow-up on payment. <p>By the end of 2009, all library branches should be on the centralized booking system, CLASS.</p>
<p>(17)</p>	<p>The City Librarian should maintain and monitor occupancy statistics for room rentals as a tool for planning.</p>	<p>The centralization of room bookings is scheduled to be complete by the end of 2009. This will result in an overall improvement in the management of the inventory of the meeting rooms, and will lead to better planning and utilization, and possibly higher revenues.</p>
<p>(18)</p>	<p>The City Librarian should ensure centralized branch use of the room booking system (CLASS) by the end of 2006.</p>	<p>Centralized booking is in place for 50% of the branches. A business process re-engineering project began in January 2007 and plans are to complete centralization of all branches on CLASS by the end of 2009.</p>
<p>(25)</p>	<p>The City Librarian should reduce the current charge card machine ("Mini-Till") maximum value (currently \$999), and ensure charge card machines and library cards are maintained in a secure location where cards cannot be accessed and charged by persons other than library staff.</p>	<p>The Mini-Till activity is being reconciled to the cash register tapes and reviewed monthly by Accounting. A reminder was sent out to all branches of the need to secure library cards and copy cards.</p> <p>It would cost approximately \$17,000 to reduce the maximum value, currently at \$999, on the current charge card machine ("Mini-Till"). On its own, the change to the mini-till maximum values cannot be justified. However, as the photocopy fleet is being replaced, the mini-tills will need to be reset for the new equipment, and the maximum value will be set below \$999 for no additional cost. Expected date of implementation is by the end of 2008.</p>