

Internal Audit Report on Library Expenditures FY12

County of Henrico



*Proud of our progress;
Excited about our future*

**Internal Audit Report #237
April 16, 2013**

HENRICO COUNTY INTERNAL AUDIT
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Summary


- Scheduled Audit
- Conclusions on Audit Objectives:
 - ▲ Determine controls exist and are operating effectively to ensure compliance with policies and procedures for non-personnel expenditures including travel
 - ▲ Determine that controls exist and are operating effectively to ensure Agency Head transactions are properly approved
 - Determine that adequate controls exist and are operating effectively to ensure compliance with policies for personnel expenditures including overtime
 - ▲ Determine adequate controls exist over fixed assets
 - Determine adequate controls exist over inter-department transfers
- Exception Oriented
- 2 Reportable Issues and 2 Other Observations
- Management Action Plans have been developed to address all risks identified

• ● Insufficient-Immediate Attention ▲ Improvement Needed ■ Sufficient 2




Contents

- Introduction and Background
- Scope, Objectives and Methodology
- Conclusions on Audit Objectives
- Issues and Management Action Plans
- Closing and Report Distribution




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Introduction

- Auditor III Joyce Aikor-Richardson performed audit work
- Used professional auditing standards
- Examined controls & tested for selective compliance
- All exceptions given to Agency
- Reported control design issues & significant test exceptions
- Work for same Government we audit



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Responsibilities

- The Henrico County Public Library System (HCPL) delivers a variety of informational and recreational services to residents of all ages
- These services include a professional staff to expertly answer citizen's questions, a comprehensive and contemporary materials collection, programs and activities for children, teens and adults, computer classes, book discussion groups, and more
- HCPL also offers a number of electronic and online services at more than 390 laptop and public workstations located throughout the system, a web based Library Catalog, as well as access to the internet and other electronic information resources

Source: Approved Annual Fiscal Plan 2011-12

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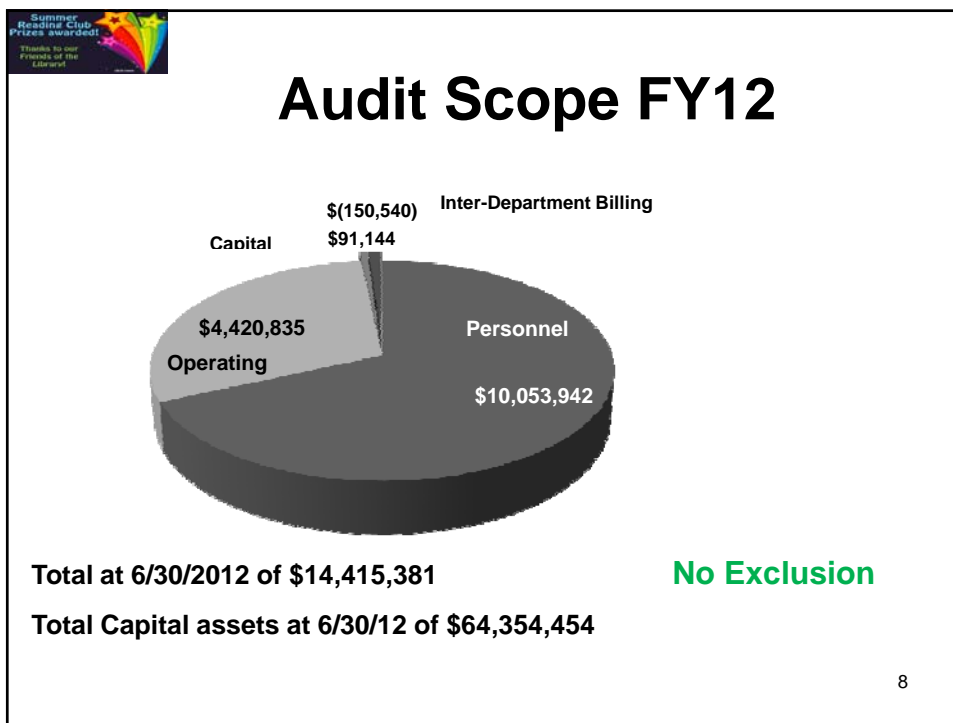
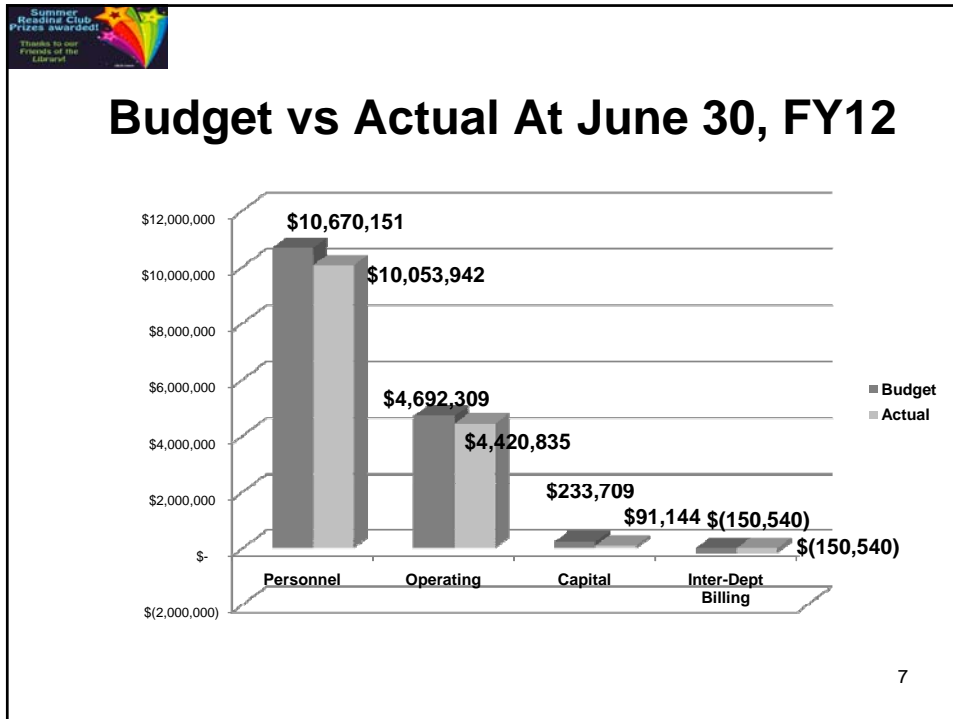
Library Objectives

- To assist citizens of all ages with information and answers to questions on a broad array of topics related to work, school, and personal life.
- To meet children's, young adults', and adults' needs for recreational reading and associated services.
- To provide materials and services for self directed personal growth and development opportunities.
- To maintain a strong web-based information presence to serve residents more effectively and efficiently.

Source: Approved Annual Fiscal Plan 2011-12

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Internal Controls *Objectives*

- Reliability and integrity of information
- Compliance with policies, procedures, laws and regulations
- Safeguarding of assets
- Effectiveness and efficiency of operations



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Internal Controls Cont'd *General Limitations of any Controls*

- Errors and irregularities may go undetected
- Inherent limitations in any control structure
- Limitations include resource constraints, legislative restrictions, etc.
- Projection to future subject to risk of change in effectiveness
- Compliance may deteriorate

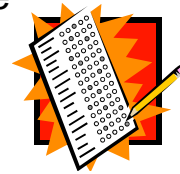


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Audit Methodology

- Evaluated control procedures
- Evaluated strength & weakness of control procedures
- Randomly sampled supporting documents
- Reviewed documents for compliance
- Report of findings



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Conclusions on Audit Objectives

- ▲ Determine controls exist and are operating effectively to ensure compliance with policies and procedures for non-personnel expenditures including travel. **(Issue 2)**
- ▲ Determine controls exist and are operating effectively to ensure Agency Head transactions are properly approved. **(Issue 2)**
- Determine that controls exist and are operating effectively to ensure compliance with policies for personnel expenditures including overtime.
- ▲ Determine adequate controls exist over fixed assets . **(Issue 1)**
- Determine adequate controls exist over inter-department transfers.

● Insufficient-Immediate Attention ▲ Improvement Needed ■ Sufficient

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Issues

1. Ensure the proper control and safeguarding of departmental capital assets
2. Ensure the use of proper account codes and compliance with travel policy



Other Observations

3. Reimburse at the appropriate mileage rate
4. Indicate review for goods or services received prior to payment

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Issue 1

Ensure the proper control and safeguarding of departmental capital assets




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 Issue 1

Criteria

Henrico County Capital Assets Manual Department Responsibilities (Page 5)

- ❖ Ensure the proper control and safeguarding of departmental capital assets.
- ❖ Correctly enter and/or correct the asset description, serial and capital asset identification tag numbers into each mass addition line monthly.
- ❖ Proper stewardship must be maintained over all departmental assets, including those valued below the capitalization threshold.
- ❖ The department has the discretion to develop its own policy regarding controlling or tracking of these assets.
- ❖ Establish and maintain procedures to ensure that proper reconciliations and corrections are made on a timely basis.
- ❖ Stewardship over departmental capital assets begins upon receipt and terminates when and only when General Services Surplus Property Division accepts responsibility or approves an inter-departmental transfer in writing.


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 Issue 1

Condition

When performing capital assets testing and physical observations of a sample of 65 assets, we noted:

1. Some assets had no model, serial number, or name of manufacturer on the asset listing making it hard to identify them.
2. Assets we were looking for were not found at locations indicated. Instead, assets with different tag and serial numbers were found.
3. One asset was listed as un-located and another was listed as not here.
4. Forms related to surplus assets sent to General Services had no signature to indicate General Services Surplus Property Division accepted responsibility during the transfer.
5. Some assets were indicated as transferred to County Information Technology but those assets were not found by Information Technology. Transfer forms were not signed by Information Technology so there was no indication they had accepted them.
6. One asset (Check Station Serial #54-41820815) had two asset tags (# 014087 & # 014576).
7. Two check stations had no tag numbers at Tuckahoe Library.

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Cause

Lack of control over Capital Assets

- While the County's Capital Asset Manual states the department receiving a transferred asset should sign the form indicating agreement to accept the asset, it does not clearly state that the transferring department needs to obtain the signature at the time of the physical movement of the assets and keep a copy for their records.
- For asset transfers to Information Technology, many assets were moved in a relatively short period of time to minimize downtime to library customers and Department was not always sure what pieces of equipment needed to be moved to have forms done in advance.



Effect

We could not determine if the assets were at different locations or if they were lost or disposed of resulting in overstated assets. Some assets were not located resulting in adjustments to recorded balances.



Recommendation

Agency should enhance processes to ensure the proper control and safeguarding of departmental capital assets




Management Action Plan

Libraries will have all inventory appropriately identified and recorded once the transfer of Library IT assets are relocated to County IT. The signed transfer paperwork has been completed by Libraries and turned over to County IT. Also the relocation of Library HQ to its new location will allow adequate storage and recording of fixed assets when received, stored or prepared to be surplus. Agency will ensure compliance with Capital Asset policy.

Action Plan Owner: Controller and IT Coordinator


Completion date: 9/30/13






Issue 2

Ensure the use of proper account codes and compliance with travel policy



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Issue 2

Criteria

A best management practice is to use the proper account code in expenditure documents to ensure accurate budgeting and accounting. Department of Finance Oracle Financial Management System has a chart of accounts with description and brief definition of each of the accounts.

Additionally, current County travel policies require that all travel be approved by the Office of Management and Budget and the County Manager in advance of the expenditure of such funds.

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Summer Reading Cup Prizes awarded! Thanks to our Friends of the Library!

Issue 2

Condition

Test of 9 Agency head transactions revealed:

- a) 3 expenditures for registration and conferences were coded to other professional services instead of travel, and
- b) 1 office supplies expenditure was posted to other contractual services.



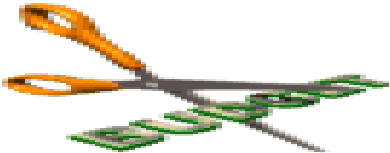
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Summer Reading Cup Prizes awarded! Thanks to our Friends of the Library!


Issue 2

Cause

Per Agency, because there is no longer a budget for travel they posted the travel expenditures to where they had funds available.



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Issue 2

Effect

Expenditures posted to improper account codes which could misstate any related financial reporting and impact business decisions made based on expenditure totals.

Noncompliance with County travel policy which could result in travel expenditures that may not have otherwise been approved.

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Issue 2

Recommendation

Ensure the use of proper Account Codes and ensure all travel related expenditures are approved by Office of Budget as well as County Manager on a documented request for travel funding per policy.

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Issue 2

Management Action Plan

Agency will comply with County travel policy.

Action Plan Owner: Director and Controller

Completion Date: 1/1/2013



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Thanks to our Friends of the Library!

Other Observations

The following slides include additional observations noted during our audit which were considered less critical in reaching our conclusions on our audit objectives.


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Issue 3

Reimburse at the appropriate mileage rate

Review of travel expenditures for mileage reimbursements revealed that some employees (8 of 26, 31%) were reimbursed at a rate of \$.51 rather than at \$.555 which is the rate for the year of audit, FY12.



Recommendation

Ensure employees are properly reimbursed at the rate effective as of the date noted in the County Manager's related memo.

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Summer Reading Cup Prizes awarded
Thanks to our Friends of the Library!

Issue 3

Management Action plan


Agency will ensure employees are properly reimbursed at the rate effective as of the date noted in the County Manager's related memo.



Action plan Owner: Controller


Completion date: 1/31/2013

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 Issue 4

Indicate review for goods and services received prior to payment


- 73 of 78 (94%) of purchase order expenditure invoices sampled were not initialed but were dated to indicate review for goods and services received prior to payment.
- 78 of 89 (88%) of direct pay expenditure invoices sampled were not initialed but were dated to indicate review for goods and services received prior to payment.



Recommendation


Ensure invoices are initialed and dated to indicate review and accountability for goods and services received prior to payment.

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 Issue 4

Management Action Plan


Agency will ensure invoices are initialed and dated to indicate review and accountability for goods and services received prior to payment.



Action Plan Owner: Controller


Completion date: 12/31/12

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Closing

- Appreciate Agency's cooperation
- Follow up on open Action Plans will be performed a year after completion dates to allow time to ensure implementation of the Action plans



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Report Distribution

Audit Committee (Mr. Glover, Mrs. O'Bannon, County Manager)	Board of Supervisors, Non-Committee Members
Deputy County Manager for Administration	Director of Libraries
Internal Audit Staff	

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