REPORT TO THE CITY COUNCIL BY THE CITY INTERNAL AUDITOR

AUDIT OF THE SHREVE MEMORIAL LIBRARY SYSTEM

INTERNAL AUDIT REPORT 200111-04

October 21, 2011

The Council
City of Shreveport

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October 21, 2011

Councilman Oliver Jenkins
Chairman, Shreveport City Council

Dear Councilman Jenkins:

Subject: IAR 200111-04 - Audit of the Shreve Memorial Library System

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Leanis L. Steward

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City Internal Auditor

EXECUTIVE SUMMARY
AUDIT OF THE SHREVE MEMORIAL LIBRARY SYSTEM
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The purpose of the executive summary is to convey in capsule form the significant issues of the audit report. The executive summary is a vehicle for reviewing the report and should only be used in conjunction with the entire report.

INTRODUCTION

Per Louisiana Revised Statute 25:211-223, in 1970 there was a joint resolution adopted between the City of Shreveport and the Caddo Parish Police Jury establishing the Shreve Memorial Library Board to operate one library system throughout the parish. The eight-member board has the responsibility of setting policy and guidelines which control the day-to-day operations of the library system.

RECOMMENDATION EVALUATION RISK CRITERIA

The chart below summarizes the recommendations outlined in the report and our evaluation of risk for the recommendations. We evaluated the importance of each audit recommendation by assigning each a level of risk. The risk levels, as defined in the chart below, were assigned by auditor judgment and determined based on the possible results for the entity if the recommendation is not implemented. This report contains twelve findings with seventeen recommendations.

Risk Levels	*Recommendations*
High Risk Possibility of fraud, waste, and abuse of City assets; Interrupted and/or disrupted operations; Entity's mission not being met; Adverse publicity.	▪ Install security cameras/signage. (Finding 1) ▪ Monitor/review overtime worked. (Finding 2) ▪ Timely submit travel supporting documentation and monitor. (Finding 3) ▪ Monitor/restrict adult access to youth computers. (Finding 4) ▪ Ensure "right to audit" clause included in all contracts. (Finding 5) ▪ Develop an appropriate checkout system. (Finding 6)
Medium Risk Possibility of continuing, significant operating inefficiencies and high-level non-compliance issues.	▪ Implement use of automated library/credit cards for payments & purchases. (Finding 7) ▪ Update phone system. (Finding 8) ▪ Establish documented method to record customer feedback. (Finding 9) ▪ Develop a standardized training policy. (Finding 10) ▪ Implement a recycling initiative. (Finding 11) ▪ Request Board members to sign conflict of interest statements. (Finding 12)
Low Risk Possibility of continuing operating inefficiencies and some low-level non-compliance issues.	**NONE**

INDEX

AUDIT OF THE SHREVE MEMORIAL LIBRARY SYSTEM
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Objectives

We have completed an audit of the Shreve Memorial Library System. The objectives of the audit were to:

- Determine the overall operating efficiency and effectiveness of the organization.
- Determine efficient use of resources.
- Determine the adequacy of policies and procedures and accounting used in governing capital projects.
- Determine proper recordkeeping of and reporting of financials.
- Determine adequate Board representation.
- Determine the existence of professional contracts and studies.
- Determine if a system is in place to record and relay customer/citizen feedback.
- Address concerns from audit scope questionnaires not covered in the aforementioned objectives.

Scope and Methodology

We conducted this audit in accordance with generally accepted government auditing standards, except that a peer review has not been performed, and included such test of procedures and controls as considered appropriate. We believe that the evidence obtained provides a reasonable basis for our findings, conclusions, and recommendations based on our audit objectives. General audit procedures included, but were not limited to the following:

- Interviewing/discussions with appropriate personnel.
- Testing compliance with established or stated policies and procedures.
- Observing operations and ongoing activities.
- Reviewing and/or performing test work on files, records, reports, and any other applicable documentation.

Background

Shreve Memorial Library, established by Louisiana Revised Statute, is a public entity designed to serve all individuals who live, work, own property, or attend school in Caddo Parish. Maintained by a parish-wide property tax millage, the system supports the informational, educational, and recreational needs of its constituents. The governing authority is the Shreve Memorial Library Board of Control. The volunteer Board is composed of eight members; five are appointed by the Mayor and confirmed by the City Council and three are appointed by the Caddo Parish Commission, with the Mayor and Commission President serving as ex-officio members. The Board establishes policies and procedures governing the Library's operations.

Conclusions/Findings/Recommendations

The Library has made many excellent advances over the past couple of years. It offers a vast array of free services to the public and school-aged children such as: Wi-Fi in all locations, downloadable books, homework tutoring by certified tutors, computer and literacy training, an online book club, tumble books (children's books read aloud), and various others.

The Internal Audit Office would like to extend its appreciation for the assistance, courtesy, and cooperation extended to us by the staff of the Shreve Memorial Library System. Overall, we found that management was operating the division effectively and efficiently and that the internal control environment was adequate. We have, although, offered several suggestions and recommendations that may enhance and/or improve the entity's operating ability. They were as follows:

* Install security cameras and signage.
* Develop a standardized training policy.
* Monitor and periodically review overtime worked.
* Establish a documented method to record customer feedback.
* Implement a recycling plan.
* Develop an appropriate checkout system for equipment.
* Require Board members to sign conflict of interest statements.
* Timely submit travel expense statements and supporting documentation.
* Implement the use of automated library/credit cards for payments and purchases.
* Update phone system to include proper greetings and hours of operations.
* Code library cards to restrict adult access to youth computers.
* Ensure that "right to audit" clause is included in all contracts.

1. Adequate Security

Criteria: To help safeguard and protect employees, patrons, and assets, an organization must establish adequate security.

Condition: During several visits to the branches of the Shreve Memorial Library System, we noticed that no surveillance equipment was in place to monitor the areas. While the library has security guards and/or off-duty police officers in all facilities, we believe the situation can be improved and risk reduced by adding electronic surveillance.

Effect:
- Employees and patrons exposed to safety risk.
- Assets exposed to fraud, theft, and abuse.

Cause: Management had not yet considered this additional safety measure.

Recommendation: We recommend that management:
1. Install security cameras on the outside and in strategic areas on the inside of the branch buildings.

2. Install restricted access signs on the premises and/or deterrent signs to indicate that the premises are electronically monitored.

Management Plan of Action/Timetable: Security cameras are being requested of the Board of Control in next year's budget.

2. Overtime Expenditures

Criteria: Overtime is a vital management tool. Clearly, it is preferable to pay some workers an overtime rate during work-packed periods than to add employees who may be underutilized at other times. If overtime is driven by workload and intelligently balanced, planned and documented, it can be a very effective tool. If it is not used appropriately, it can lead to paying more than needed to get the work done. Additionally, the Shreve Memorial Library Board mandated that Sunday work be paid at time and one-half.

Condition: We noted the following during our review:
1. The amount of overtime expended for the Shreve Memorial Library System for the year ended 12/31/2010 was $171,687.
   (a) $123,475 for full-time employees
   (b) $48,212 for part-time employees

2. The amount of overtime expended for the period January through July 2011 was $94,576.
   (a) $66,495 for full-time employees
   (b) $28,081 for part-time employees

Effect:
- Possible unnecessary overtime expenditures.
- Possibly unmonitored and/or unreported overtime expenditures.

Cause: Management is acting upon Board of Control direction, established in 1981, that all employees who work on Sunday be paid at time and one-half. Sundays at the three regional locations are volunteer shifts. Management states that this is less expensive than hiring special staff to operate the facilities on those days.

Recommendation: We recommend that management:
1. Make reports showing overtime use per pay period available to all levels of management and require periodic analysis of overtime use and trends.

2. Require periodic review and justification of the situations causing the need for

personnel to be allowed to earn overtime pay, especially any exempt personnel affected.

Management Plan of Action/Timetable: Reports will be issued as recommended.

3. Timely Reporting of Travel Expense Statements

Criteria: For proper accountability and public transparency, financial records must be maintained in accordance with standard accounting principles and procedures.

Condition: The travel card balance for the Shreve Memorial Library per the City of Shreveport's accounting records was approximately $8,000 at June 2011 and as much as $13,000 in April 2011. Compared to other city departments with travel cards, these balances appear to be excessive. Since travel is frequent and requisite for this entity, these larger balances were due mainly to outstanding travel expense statements from personnel and/or board members.

Effect:
- Account balances may be incorrect.
- Fraud, waste, and abuse may occur.
- Unauthorized purchases could occur.

Cause: Management was probably not aware of the consequences of its oversight or gradual response time.

Recommendation: We recommend that management insure that its personnel and board members obtain and forward all supporting documentation, along with the related travel expense statements, to the proper library personnel and the City of Shreveport Accounting Department in a timely manner upon return from business travel engagements. Travel, as well as travel expense statements, should be monitored on a periodic basis.

Management Plan of Action/Timetable: These expenses are monitored, both before the expense is incurred (signatures required on forms) as well as after travel (payment of invoices requires signature approval).

The library staff will propose to members of the Board of Control that a new policy be adopted requiring all travelers to pay their expenses up front and apply for reimbursement.

4. Public Computer Usage

Criteria: Government and public sector agencies must be able to provide secure access to employees, citizens, and suppliers around the world. Internet misuse can pose a variety of problems for agency managers and IT administrators, and, increasingly, it can even be dangerous – especially for young children.

Condition: The Shreve Memorial Library effectively filters its public computers from various prohibited sites and other off-color internet sources. However, the computers in the youth sections of the library – which are prohibited by signage from adult usage – are not automatically restricted from adult usage. Adults are able to log on to these computers with their library cards and have been observed for extensive time periods in the youth sections.

Effect:
- Possible mature material viewed by young children when adult patrons are retrieving information from flash drives, disks, etc.
- Children may not be able to comfortably enjoy use of "their" library section/computers.

Cause: Management may have not recognized the need for this type of specific restriction.

Recommendation: Management should devise a system to prohibit adult computer usage in the children's computer section – particularly when children occupy the area or it is excessively busy. *(Management may consider coding library cards obtained by adult and/or teenage patrons so that these library numbers will not access certain computers in the children's section without management override.)*

Management Plan of Action/Timetable: The suggestions are currently being examined by the IT staff to facilitate this recommendation.

5. Right to Audit Clause

Criteria: To help ensure the perception that business dealings and transactions of an organization are effective, efficient, professional, and fair, all contracts entered into – particularly supported by government funding/taxpayer dollars – should be open to professional inspection.

Condition: Audits can sometimes be requested and conducted years after a transaction has been completed or a contract performed. Therefore, we noted during our review that three of the eight contracts for buildings constructed between 1995 and 2005 reviewed did not contain a "right to audit" clause. The total amount of these contracts was $3,804,395. *(Auditor's Note: These contracts have now been completed and closed and/or are no longer in existence.)*

Effect:
- Possible inappropriate transactions/business relationships.
- Laws and regulations may be violated.
- Possible misuse of taxpayer funds.

Cause: Management may have not recognized the need for this type statement and/or oversight.

Recommendation: We recommend that in order to ensure that business dealings and transactions are effectively and efficiently executed and offer no appearance of impropriety, management should assure that all contracts are thoroughly reviewed by legal representation and require that a "right to audit" clause is included.

Management Plan of Action/Timetable: Management has had every contract reviewed by the city's or parish's legal staff and both have assured the inclusion of the clause in all contracts after 2005.

6. Inventory Checkout System

Criteria: Good management practice dictates that inventory be adequately safeguarded and readily available and retrievable, specifically inventory to be used in the normal/routine course of business.

Condition: During our review, we discovered that the library did not have an appropriate checkout system for intra-library use/loan of certain assets (i.e. camcorders, cameras, etc.).

Effect:
- Misplaced items.
- Potential for fraud, waste, and abuse of resources.
- Inaccurate physical inventory/fixed asset recordings.

Cause: Management may have not recognized the need for this system.

Recommendation: We recommend that management develop an appropriate checkout system that would govern movable inventory items that are used within the library between staff members and customers, as well as intra-library use/loan purposes.

Management Plan of Action/Timetable: The library administration, in response to the suggestions of the auditors, implemented an interim technique for handling all internal equipment loan requests. In April of 2009, they initiated an "equipment loan log" and binders, as well as training all employees in the new procedure. It was fully operational by July of 2009. The administration has additionally begun evaluating all asset control methodologies and is leaning toward use of Radio Frequency Identification for not just circulating library materials, but for in-house equipment usage. The labeling process for circulating collections began with the conclusion of the 2011 Summer Reading Club and will be completed in all branches by February of 2012.

7. Automated Library Card/Credit Card

Criteria: An important dimension of delivering quality service is ensuring convenience for

customers when they are utilizing the services offered by an organization. Also, minimizing cash on hand is an effective deterrent to fraud and theft.

Condition: The Library only accepts cash or checks for library payments/purchases (i.e. overdue fines, charges, copy services).

Effect:
- Possibility for theft of funds.
- Inconvenience to library patrons.
- Possible loss of timely revenue.

Cause: Management is still researching this issue.

Recommendation: We recommend that management continue its research on this issue and implement the use of an automated library/credit card for library payments/purchases, if feasible.

Management Plan of Action/Timetable: Management intends to approach Board of Control for establishment by March of 2012.

8. Hours of Operation/Availability

Criteria: Shreve Memorial Library is a public entity designed to serve all individuals who live, work, own property, or attend school in Caddo Parish. Furthermore, an important dimension of delivering quality service is ensuring convenience and viable information for customers when they are utilizing the services offered by an organization.

Condition: Internal auditor placed telephone calls to 16 branches for Sunday hours of operation. Of the 16 branches called, only 5 (31%) had a voicemail message which included hours of operation. The remaining 11 either had no voicemail message or a voicemail message with no stated hours of operation.

Effect:
- Inconvenience to library patrons.
- Perception of poor quality of service.

Cause: Management may have not recognized this oversight.

Recommendation: We recommend that Library management consider updating its phone system at all branches to include a proper greeting, hours of operation, and a possible contact name and number for specific issues/problems. This message should be automatically updated for holiday interruptions, summer hours, etc.

Management Plan of Action/Timetable: In response to the audit team's suggestions, the

library staff has built a request for a new phone system into the proposed budget for 2012.

9. Documentation of Customer Complaints

Criteria: Customer feedback provides management with a barometer with which to measure the accomplishment of its goals and objectives. One way to obtain this external feedback is to provide a formal mechanism by which to capture, evaluate, and follow up on areas in need of improvement.

Condition: Prior to our first visit, the Shreve Memorial Library System had no formal mechanism of recording, resolving, or forwarding customer concerns, suggestions, or complaints from the general public or its library patrons.

Effect:
- Inability to timely identify and/or rectify problem areas.
- Inadequate customer service.
- Customer needs not met, possibly resulting in negative publicity.
- Loss of potential ideas, suggestions, and savings.

Cause: Management had not developed a formal system to handle customer concerns, suggestions, or complaints.

Recommendation: We recommend that the Shreve Memorial Library system:
1. Establish a consistent, documented method of recording, resolving, and/or forwarding customer concerns, suggestions, and/or complaints. This information could also be used as a performance measure in evaluating management effectiveness. Also, this system could include conspicuous signage at all branches describing the system.

2. Conduct annual surveys of a sample of customers. This survey will aid in establishing workload indicators and assist in validating the need for improvements in customer relations.

Management Plan of Action/Timetable: Accomplished. The administration of the library has developed an "in-box" on the website (the same site from which every customer begins the search for library materials) to register customer feedback and suggestions. Also, for the more complicated issues, a reconsideration panel has been established to receive the four different requests for reconsideration—materials selected, materials not selected, policies, and bans and bars. Library administration has developed a questionnaire to use with a sample population to elicit additional customer feedback.

10. Training and Development

Criteria: Employees should receive training and be afforded opportunities for professional development to ensure that the division's objectives are obtained in an economic, efficient,

and effective manner.

Condition: We noted that the library system did not offer a formalized training and development program for its employees. As a result, it was cumbersome for new hires and/or persons transferred to new positions or areas.

Effect:
- Inadequately and/or improperly trained employees.
- Inefficiencies in job performance.
- Inadequate identification of training needs.

Cause: Management had not yet promulgated an adequate training policy.

Recommendation: We recommend that management:
1. Develop a standard training policy for each functional area of the library system.

2. Maintain a centralized computer record of training statistics to adequately monitor employees to ensure that the necessary training is received.

Management Plan of Action/Timetable: In response to the audit's observations, the administration sought board support to employ a training officer who offers an onboarding course to all new hires. Additional on-the-job training is now standardized and offered to *all* new employees at a limited number of branches for consistency. Additional courses are also offered to all employees. For example, we have a new employee orientation and initial computer training; on-the-job training at location; on-going training on various topics, such as OverDrive, etc. Curriculum is being developed by the new full-time staff trainer. Therefore, we have acted upon and implemented the recommendations.

11. Recycling Initiative

Criteria: Due to the growing need for environmental protection, especially of our natural resources, recycling should be done whenever possible.

Condition: The Shreve Memorial Library System has not implemented a collective recycling initiative, although a library would be an opportune recycling haven since it provides much recycling material (i.e. books, paper, cardboard).

Effect:
- Environmental erosion.
- Possible cost savings, with the use of less trash supplies.

Cause: Management had not yet fully assessed a method of implementing a recycling plan.

Recommendation: We recommend management develop and implement a recycling initiative. The City of Shreveport's "Just Curb It" recycling campaign could be used as a model. The library should request that the City of Shreveport reexamine its position of not collecting library trash or recycling.

Management Plan of Action/Timetable: While the library will not pay the additional monies required for commercial recycling efforts, administration has agreed to seek the city's commitment to reconsider their position to not collect from the library. All staff members are on board and ready to recycle, once the city agrees to pick up what is collected. Bins will be purchased and the library will take whatever action is needed to accomplish this task.

12. Board Conflict of Interest Statements

Criteria: To help insure the appearance of impartiality and objectivity as well as the perception that business dealings and transactions of an organization are professional, fair, and ethical, Board members should be required to sign a conflict of interest disclaimer preventing them from engaging in any contract for work, materials, or services related to the Library.

Condition: The Board members do not sign conflict of interest statements. Furthermore, policies/procedures do not specifically prohibit Board members from engaging in or doing business with the Library.

Effect:
- Possible inappropriate transactions/business relationships.
- Laws and regulations may be violated.
- Adverse publicity.

Cause: Management may have not recognized the need for this type statement and/or policy procedure.

Recommendation: In order to ensure that business dealings and transactions are negotiated as arm's length transactions or no inappropriate business relationships are established, we recommend management consider the following:

1. Institute policies/procedures expressly prohibiting the organization from engaging in or doing business with Board members.

2. Request its Board members to sign a conflict of interest/code of conduct statement annually.

Management Plan of Action/Timetable: The library has always observed the State prohibition on doing business with board members. The current ethics laws require each

12

board member to file an annual financial statement and certification that he or she is not conducting business for profit with the library system. Anxious to comply with the audit findings, though, library staff has prepared conflict of interest statements and will ask board members to sign them at the September 2011 meeting and annually thereafter.

Prepared by:

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Approved by:

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