



AUDIT REPORT



To preserve the public trust as guardians of the people's records and assets

DATE February 29, 2024

NO. 2024-002

FOLLOW-UP COMMUNITY SERVICES

LIBRARY REVENUES AND CONTROLS

(ORIGINAL REPORT NO. 2021-004 ISSUED JULY 22, 2021)

INTERNAL AUDIT DIVISION
ROGER D. EATON
CLERK OF THE CIRCUIT COURT AND COUNTY COMPTROLLER
CHARLOTTE COUNTY FLORIDA



ROGER D. EATON
Clerk of the Circuit Court and County Comptroller

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To: The Honorable Roger D. Eaton, Charlotte County Clerk of the Circuit Court and County Comptroller

From: Dan Revallo, Internal Audit Director

Date: February 29, 2024

Subject: Community Services – Library Revenues and Controls Follow Up Audit

Honorable Clerk Eaton,

The Internal Audit Division has completed a follow-up audit of the Charlotte County Community Services – Library Revenues and Controls. Misti Payette Internal Auditor II conducted this review.

The audit client's response is attached to this report. We would like to thank client management and staff for their cooperation and assistance in the completion of this audit.

The report will be posted to the Clerk of Courts website, charlotteclerk.com, under Internal Audit, Audit Reports. A link to this report has been sent to the appropriate parties.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Daniel Revallo". The signature is written in a cursive style with a long horizontal stroke at the end.

Dan Revallo, CIA, CFE
Internal Audit Director
Charlotte County Clerk of the Circuit Court and County Comptroller

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EXECUTIVE SUMMARY

The Internal Audit Division performed a follow-up audit of the Community Services Library Revenues and Controls. Follow-up audits are limited to the comments and recommendations made in the Community Services Library Revenues and Controls Audit Report dated July 22, 2021. This follow-up considers the responses documented and any subsequent, corrective actions taken or delegated.

This follow-up audit report will conclude the original audit, as it pertains to the Community Services Library Revenues and Controls.

The status of any corrective actions will be assigned as follows:

OPEN – Corrective action has not been taken to adequately address the original audit comment.

OPEN/PARTIALLY COMPLETED – Corrective action has started but has not adequately addressed the original audit comment.

CLOSED – Corrective action has been taken to adequately address the original audit comment.

Original Audit Comments and Status of Corrective Actions

OPEN/PARTIALLY COMPLETED

- Internal control weaknesses continue in reconciliation procedures of coin-op boxes (copy machines).
- Standard Operating Procedures (SOP) document references obsolete software.
- Some procedures noted do not comply with *2.01 Cash Handling SOP* and *7.02 Cash Handling Procedures* documents.
- *2.02 Refund Requests SOP* weakness identified.

CLOSED

- Food donations are reconciled on a monthly basis, not daily.
- Non-compliance with *Chapter 1-9 – Libraries* of the Charlotte County Code of Ordinances.
- Non-compliance with the Board approved Fee Schedule.
- Segregation of duties weakness identified.

BACKGROUND

The State of Florida, Statute 125.01 (1)(f) gives power to county commission to provide for public libraries. Chapter 1-9 of the Code of Laws and Ordinances of Charlotte County, Florida, also provides guidance. The Code provides for a penalty for the loss, damage, and/or late return of materials.

Charlotte County Libraries, within the Community Services Division, offers opportunities for the County's diverse community to learn, know, gather and grow by providing open and equal access to a wealth of

materials, eResources, and many different types of programs for all ages and evolving technology and services.

While technology and services have certainly evolved to include many online resources, programs and services, such as an online Library Catalog, a Kids' Catalog, and online reservations, etc., it is remarkable to recognize that the Charlotte County Libraries continue to use the Dewey Decimal System, which was first published in the United States in 1876. Non-fiction inventory is cataloged using the Dewey Decimal System; whereas, fiction is by author and title.

The Charlotte County Library System consists of the Port Charlotte Public Library, the Punta Gorda Charlotte Library, and the Englewood Charlotte Public Library. The Mid-County Regional Library remains closed due to severe storm damage from Hurricane Ian (September 2022). The Library and Histories Administration, which was located within the Mid-County Regional Library, is currently located at the Centennial Park location in Port Charlotte.



The Punta Gorda Charlotte Library is the County's newest facility, located in Historic Punta Gorda, on Shreve Street. This facility opened to the public on August 26, 2019, and includes meeting rooms, a Friends of the Library area, youth and program space, a computer area with instructional classes and approximately 1,000 square feet for archive functions, etc. The \$7.8 million library was funded by proceeds from the 1% local option sales tax approved by voters in November 2014. The City of Punta Gorda and the Friends of Punta Gorda Library contributed approximately \$500,000 towards the project.

The other two (2) facilities are located on Aaron Street in Port Charlotte and the North Access Road in Englewood.



Library cards are issued free of charge to any Charlotte County resident. Non-residents may be issued a card for \$10.00 for three (3) months, \$20.00 for six (6) months, or \$35.00 for twelve (12) months. Children under the age of 16 must have a parent or legal guardian present to apply for a library card.

Hours/days of operation vary by facility location. All facilities are closed on Sundays. However, the Library System launched its “BLUEcloud Mobile” application in December 2019. This application provides for 24/7 access to manage accounts, search the catalog, renew and reserve books, etc.

The County offers a “Food for Fines Program”. One donated food item equates to \$1. The County partners with the local area food shelves.

Library funding comes primarily from the Charlotte County’s general revenue fund and from annual Florida State Aid to Libraries grants. Receipt of grant funds is dependent upon application and eligibility requirements that are completed annually.

In addition, each location is affiliated with a “Friends of the Library” group that plays a pivotal role in raising funds. Public donations are another source of revenues.

AUDIT OBJECTIVES

The purpose of the follow-up audit was to determine if the proposed corrective actions documented in response to the eight (8) comments and/or recommendations reported, within the Community Services Library Revenues and Controls Audit Report No. 2021-004, were adequately and timely implemented and/or resolved.

SCOPE AND METHODOLOGY

To satisfy the objectives of this follow-up audit, Internal Audit inquired of key staff, reviewed any applicable policies and procedures/SOP documents revised and/or implemented since last audited, reviewed transaction activity and tested for compliance with the current policies and procedures/SOP documents and Board approved fee schedules. Transactions reviewed considered no less than five (5) transaction dates, selected at random, between January 2023 and July 2023, to include transaction activity for all Charlotte County Library locations. ActiveNet accounts, related reports and other available details were also utilized to help identify credit balances as well as refunds issued. Additional audit procedures and/or inquiries were also performed, as determined necessary, to meet the follow-up audit objectives.

COMMENTS AND RECOMMENDATIONS AND FOLLOW-UP AUDIT RESULTS

- 1. Internal control weaknesses continue in reconciliation procedures of coin-op boxes (copy machines).**

We recommend that a formal reconciliation be performed on the coin-op boxes (copy machines) and/or credit card transactions, as part of the daily cash balancing procedures. Actual fees collected should be compared to reported totals (in this case, the coin-op machine totals reflected), and any discrepancies due to patrons depositing non-standard coins and/or not retrieving their change from the coin-op box, should be treated as an overage or shortage.

Original Response:

“The coin-op box is currently being migrated to a “card only” machine in which the vendor will send what is due the County, (less a fee) to the library via check or direct deposit eliminating the possibility of theft. Cash will no longer be handled by staff.”

Status of Corrective Action: OPEN/PARTIALLY COMPLETED

Auditor Comments: The coin-op boxes were replaced with “card only” machines. On July 12, 2021, an agreement was made between Charlotte County and ITC Systems, Inc. The agreement also describes that ITC Systems will remit the net funds to the Charlotte County Public Library monthly by check, along with a report breakdown to support the funds received. No funds or reports were remitted from ITC Systems until mid-July 2023. Check No. 0295 dated July 11, 2023 for \$8,582.73, which covers the period of September 2021 through May 2023, was received by Fiscal Services on July 21, 2023. At the time of our inquiry on August 31, 2023, a formal reconciliation and verification of the net funds received had not been completed.

2. Standard Operating Procedures (SOP) document references obsolete software.

We recommend that management review and update the *2.01 Cash Handling* SOP document.

Original Response:

“This is completed to include all recommendation in this audit. The SOP will be reviewed as needed to reflect changes in business practices, but no less than annually.”

Status of Corrective Action: OPEN/PARTIALLY COMPLETED

Auditor Comments: The current *2.01 Cash Handling* SOP document does not provide any evidence of annual review beyond December 2021. Reference to the obsolete software was corrected on page 3; however, the SOP document continues to refer to the obsolete software (“TLC software”) on page 4.

3. Food donations are reconciled on a monthly basis, not daily.

We recommend that management implement daily procedures to reconcile the amounts recorded as “Food for Fines” and update the SOP on donations.

Original Response:

“a) Current tracking sheet is compiled using Sirisi Dynix program reports – see Attachment A as an example. Staffing levels prevent complete segregation of duties and compensating controls will be proposed in SOP update. Also getting the Food Banks to confirm receipts of number foods received has been a challenge.

b) Food for Fines will be specifically incorporated in Donation SOP update.”

Status of Corrective Action: CLOSED

4. Non-Compliance with *Chapter 1-9 – Libraries* of the Charlotte County Code of Ordinances.

We recommend that management ensure the *Chapter 1-9 Libraries* ordinance is updated to refer to the resolution for the current fees, if appropriate.

Original Response:

“A ‘legal service request’ was submitted on July 13, 2021 to the County Attorney’s office to resolve this issue.”

Status of Corrective Action: CLOSED

5. Some procedures noted do not comply with *2.01 Cash Handling SOP* and *7.02 Cash Handling Procedures* documents.

We recommend management ensure compliance with the internal controls established within the *2.01 Cash Handling SOP* and *7.02 Cash Handling Procedures* documents.

Original Response:

“a. Cash Fund Verification forms are no longer required to be completed and submitted with paperwork to Fiscal Services. The SOP will be revised to reflect this change.

b. Staff training will be conducted to reinforce procedures for accepting donations.”

Status of Corrective Action: OPEN/PARTIALLY COMPLETED

Auditor Comments: We agree that Cash Fund Verification forms are no longer required. However, procedural weaknesses continue with ActiveNet reports.

The ActiveNet *Daily Cash Receipt Summary* reports by location required for the dates sampled totaled seventeen (17) reports. All seventeen (17) *Daily Cash Receipt Summary* reports, or 100%, were considered incomplete, as the reports did not include a preparer signature, a verified by signature, and/or credit totals. In addition, only eight (8) of the seventeen (17) required reports, or 47%, were generated in ActiveNet on the same day.

The ActiveNet *Daily Cash Receipt Detail* reports by user required for the dates sampled totaled thirty-eight (38) reports. Twenty-one (21) of the required reports, or 55%, were not included in the daily paperwork, and twelve (12), or 31%, were considered incomplete, as the reports did not include the user’s signature, a verified by signature, and/or credit totals. In addition, all reports but one (1) were generated in ActiveNet on the same day.

Staff training is reported as provided at the new-hire level during employee orientation; however, the reinstruction of existing staff did not occur.

6. Non-Compliance with the Board approved Fee Schedule.

We recommend compliance with the current and future *Community Services Department Fee Schedule*, which was amended and adopted by Resolution 2020-017 with an effective date of March 10, 2020.

Original Response:

“A revised fee schedule was approved by the Board of County Commissioners on July 13, 2021. Fees have been revised in ActiveNet to match the approved fee schedule.”

Status of Corrective Action: CLOSED

7. Segregation of duties weakness identified.

We recommend that key duties be segregated and/or dual control procedures be implemented to help mitigate the risk of cash theft or fraudulent activity.

Original Response:

“Staffing limitations do mitigate the ability to segregate duties. Staff training and an updated SOP will assist in minimizing risk.”

Status of Corrective Action: CLOSED

8. 2.02 Refund Requests SOP weakness identified.

We recommend that management increase controls documented by *SOP 2.02 Refund Requests*.

Original Response:

“SOP 2.02 will be revised to ensure refunds are required to ensure \$0.00 balances on customer accounts.”

Status of Corrective Action: OPEN/PARTIALLY COMPLETED

Auditor Comments: The *SOP 2.02 Refund Requests* document was revised; however, we identified five (5) customer accounts with credit balances totaling \$205.08. The credit balances identified were all greater than 90 days old, with only one (1) occurring during fiscal year 2023.

ACKNOWLEDGEMENT

We would like to thank the Charlotte County Community Services, Fiscal Services and Purchasing Divisions, as well as the Comptroller's Division for their time and assistance in the completion of this follow-up audit.

Audit performed by:

Misti Payette, CIA, CRMA, CGAP

Internal Auditor II

Charlotte County Clerk of Circuit Court and County Comptroller



MEMORANDUM

Date: 02-21-24

To: Dan Revallo, Internal Audit Director, Charlotte County Clerk of Court and Comptroller
Misti Payette, Internal Auditor II, Charlotte County Clerk of Court and Comptroller

From: Tommy Scott, Director 

Copy: Emily Lewis, Deputy County Administrator

Subject: Library Revenues and Controls Follow-up Audit, Management Responses

We appreciate the Internal Audit Division's commitment and follow up to the Libraries Revenue and Controls Audit. Below are our responses to the follow up report of findings submitted on Dec. 12, 2023.

Issue 1

Internal control weaknesses continue in reconciliation procedures of coin-op boxes (copy machines).

- Community Services has partnered with Fiscal Services to take the lead on recognizing this revenue stream and establishing a reconciliation process.

Issue 2

Standard Operating Procedures (SOP) document (2.01 Cash Handling) references obsolete software.

- The SOP was updated and signed Oct. 25, 2023, and is scheduled for annual review each year in December.
- The reference software is no longer included in the SOP.

Issue 5

Some procedures noted do not comply with 2.01 Cash Handling SOP and 7.02 Cash Handling Procedures documents.

- We have spoken with the leadership team regarding the anomalies and as of this memo, the verifiers will ensure there are no anomalies and initial/sign the paperwork indicating such.
- Admin Code 7.02 is no longer established.

Issue 8

2.02 Refund Requests SOP weakness identified.

- Credit balances have been resolved. As of the date of this memo, future outstanding credit balances will be handled according to policy; refunded rather than applied to a future transaction.

/mk



MEMORANDUM

Date: 02-15-24

To: Dan Revallo, Internal Audit Director, Charlotte County Clerk of Court and Comptroller

From: Mary Jane Sykes, Financial Manager, Charlotte County Board of County Commissioners

CC: Richard Arthur, Division Manager, Charlotte County Board of County Commissioners
Gordon Burger, Director of Budget and Administrative Services, Charlotte County Board of County Commissioners

Subject: Responses to the Library Revenue and Control Follow-up Audit

1. Internal control weaknesses continue in reconciliation procedures of coin-op boxes (copy machines).

We recommend that a formal reconciliation be performed on the coin-op boxes (copy machines) and/or credit card transactions, as part of the daily cash balancing procedures. Actual fees collected should be compared to reported totals (in this case, the coin-op machine totals reflected), and any discrepancies due to patrons depositing non-standard coins and/or not retrieving their change from the coin-op box, should be treated as an overage or shortage.

Response:

We appreciate the opportunity to enhance our processes and are actively working towards sustainable solutions. We thank the auditors for accurately noting that we ceased accepting cash or coins for printer/copier fees since July 2021.

On January 06, 2024, the library reminded the coin-op boxes vendor to remit funds monthly, as agreed upon previously. A reconciliation is currently underway for all outstanding funds received and fees paid through December 2023. The fiscal and library teams are presently collaborating on a standard operating procedure (SOP) to ensure that future collections are accurately recorded and formally reconciled on a monthly basis. The SOP will delineate the procedure for handling over/short amounts during reconciliations.



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