

COUNTY AUDIT DEPARTMENT

REPORT # 353

An Audit of:

LIBRARY BOOKS AND MATERIALS PROCUREMENT

AUGUST 22, 2018



Pat Frank INTEGRITY. TRANSPARENCY. ACCOUNTABILITY.

CLERK OF COURT & COMPTROLLER • HILLSBOROUGH COUNTY, FLORIDA



August 22, 2018

The Honorable Sandra L. Murman, Chairman
The Honorable Victor D. Crist
The Honorable Ken Hagan
The Honorable Al Higginbotham
The Honorable Pat Kemp
The Honorable Lesley “Les” Miller, Jr.
The Honorable Stacy R. White

Dear Chairman Murman and Commissioners:

The Audit Team performed an audit of the Library Books and Materials Procurement process Audit Report #353, dated August 22, 2018. Responses to the Audit Team’s recommendations were received from the Director of Library Services and have been included in the Report after each audit comment and recommendation.

The purpose of this Report is to furnish management independent, objective analysis, recommendations, counsel, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Director and personnel of Library Services during this audit.

Sincerely,

Heidi Pinner, CIA, CISA, CFE, CRMA
Director of County Audit

CC: Mike Merrill, County Administrator
Greg Horwedel, Deputy County Administrator
Tom Fass, Assistant County Administrator
Andrew Breidenbaugh, Director, Library Services
Kevin Brickey, Management & Budget Office
Dan Klein, Chief of Staff
Rick VanArsdall, Chief Deputy, Clerk to the Board

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

The Library Services Department operates a network of more than two dozen libraries throughout Hillsborough County, offering books, e-books, internet access, talking books for the visually-impaired, DVDs, music, online databases and resources, cultural and educational programs, and facilities for community meetings. On September 20, 1984, the Board of County Commissioners (BOCC) approved an exemption allowing Library Services to purchase its own library materials without the County's normal bid and purchasing process. This exemption was formally re-authorized by the BOCC on March 21, 2007 and also incorporated as part of the current Procurement Policy adopted by the Board on July 19, 2017.

Library Services uses three methods to purchase books and materials and has implemented its own internal policies and procedures accordingly:

- Purchasing Cards (P-Card) - A Library Services employee uses a County-assigned credit card known as a P-Card to order and pay for materials from a variety of vendors.
- Term Accounts - Similar to a P-Card, except that the credit card account is designated for repeat use with a specific vendor only. These tend to be vendors that supply large volumes of library materials.
- Direct Pay - A traditional accounts payable (AP) function where Library Services submits an invoice/payment request to the County Finance Department to pay for purchases rather than using a P-Card.

Library Services uses a software application called Polaris to keep track of books and materials. Some orders are placed with vendors via a direct online interface between Polaris and the vendor's ordering system. Other orders known as miscellaneous invoices are placed with the vendor through a traditional customer account rather than using the Polaris interface.

OBJECTIVE

The objective of the audit was to evaluate the adequacy and effectiveness of management's system of internal controls and procedures related to the purchase of library books and materials.

SCOPE

The audit was conducted in conformance with the *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

The audit scope included the current purchasing life cycle for books and materials transactions within the 6-month period from March, 2017 to August, 2017.

OVERALL EVALUATION

The Library Services Department was responsive to the Audit Team's inquiries and provided thorough information when requested. Data and other information were provided in a prompt and courteous manner. The Audit Team encountered knowledgeable and dedicated employees during the course of the audit.

The following table summarizes the audit comments and corresponding cross references to the page number where the audit comment details can be found in the Report.

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE
1	Library Services has implemented adequate controls over its P-Card and Term Account transaction processes.	3
2	An opportunity exists to enhance the controls surrounding Direct-Pay transactions.	5
3	The exemption of books and materials from competitive purchasing appears reasonable and consistent with industry practices.	7

OPINION

The control environment surrounding the Library Services process for purchasing library books and materials is at a formal (defined) maturity level. This means that management has developed processes that are documented and ensure there are adequate controls over the purchasing of library materials. Addressing the opportunities identified in this Report will enhance the overall control structure and provide additional assurance.

The exit conference was held on August 8, 2018.

Other minor concerns not included in this Report were communicated to management and/or corrected during fieldwork.

AUDITED BY

Heidi Pinner, CIA, CISA, CFE, CRMA, Director of County Audit
 Ben Everett, CPA, CIA, CFE, Audit Manager
 Lovonia Scott, CGAP, Internal Auditor II
 Richelle Anderson, Internal Auditor II

AUDIT COMMENTS & RECOMMENDATIONS

AUDIT COMMENT 1

Library Services has implemented adequate controls over its P-Card and Term Account transaction processes.

The objective was to determine whether or not existing controls related to P-Card and Term Account transactions were operating effectively and in accordance with applicable policies and procedures.

Testing Individual P-Card Transactions

A random sample of 42 individual P-Card transactions was selected from the scope period and tested based on the following criteria:

- Appropriate supporting documentation.
- Proper approval in the Oracle iExpense module.
- Outstanding invoices more than three months old were not paid by P-Card as per the County's P-Card rules.
- Purchases of \$5,000 or more were selected through quotes and were properly documented in the Oracle system.
- No prohibited items were purchased.
- The Polaris system contained data showing the purchased library materials.

Results of P-Card Transactions Testing

Some orders may be for items other than books and materials that are not available to be checked out by library patrons, such as office supplies and equipment. For materials that may be checked out by library patrons, an entry is made into Polaris to check the item in so that it is available to library card holders. However, digital media such as electronic books is hosted and checked out to patrons via the vendors' online systems rather than by Library Services via Polaris.

- All 42 invoices had appropriate supporting documentation.
- All 42 invoices had proper approval in Oracle iExpense.
- All 42 invoices did not show any outstanding invoice payments.
- One out of the 42 invoices was over \$5,000 and had three quotes documented in Oracle.
- None of the 42 invoices had prohibited items purchased.
- All 42 invoices were for items other than library books and materials and are not required to be entered into Polaris.

Testing Term Account Transactions

A random sample of 50 individual Term Account P-Card transactions was selected from the scope period and tested based on the following criteria.

- Appropriate supporting documentation.
- Proper approval in the Oracle iExpense module.
- Outstanding invoices more than three months old were not paid by P-Card as per the County's P-Card rules.
- Only library-related materials were purchased as per Library Services procedures.
- The purchase was made with only an approved Term Account vendor as per Library Services procedures.
- Polaris contained detail of the purchased library material.

Results of Term Accounts Testing

- All 50 invoices had appropriate supporting documentation.
- All 50 invoices had proper approval in Oracle iExpense.
- One out of 50 transactions was for an outstanding invoice dated November, 2016 that was paid in March, 2017.
- All 50 invoices were for purchases of only library-related materials.
- All 50 invoices were purchased from approved Term Account vendors.
- 43 out of 50 items in Polaris matched the invoice/receipt. The other 7 invoices were not found in Polaris because they were either miscellaneous invoices or digital media items.

RECOMMENDATION

No material concerns were identified that require management's corrective action.

AUDIT COMMENT 2**An opportunity exists to enhance the controls surrounding Direct-Pay transactions.**

The objective was to determine whether or not existing controls related to the Library Services' books and materials Direct-Pay transactions were operating effectively and in accordance with applicable policies and procedures.

Testing Direct-Pay Transactions

A random sample of 30 Direct-Pay transactions was selected from the scope period. The Audit Team reviewed the related invoices to determine whether or not:

- Purchases obtained appropriate approvals (invoice is initialed or signed by Library Services staff and marked "OK" to pay with the approval date on the invoice).
- Purchases had appropriate supporting documentation.
- Invoice payments were made timely in compliance with the Prompt Payment Act (within 45 days of receipt).
- The data in Polaris matched the invoice/receipt.
- The items ordered were checked in (received) in Polaris prior to the date that the payment was made.

Results of Direct-Pay Testing

- 27 out of 30 invoices had an appropriate approval. The other three invoices had an approval typed in as a text box with an employee's initials and the date, but no "OK" indication. The initials in the text boxes were those of an employee different than the employee who added the text box to the invoice. Two of these were due to the original invoices being illegible and being re-obtained from the vendor.
- All 30 invoices had appropriate supporting documentation.
- All 30 invoice payments were made timely in compliance with the Prompt Payment Act within 45 days of receipt.
- 28 out of 30 invoices had data that matched Polaris. Two out of the 30 invoices had a date of approval in Polaris that was 3 days before the approval date on the invoice.
- 12 out of 30 invoices were checked in to Polaris prior to the date that the payment was made. The other 18 invoices were not checked in to Polaris because they were miscellaneous invoices, including digital materials. Library materials of this type are normally not checked in to Polaris.

RECOMMENDATION

Library Services management should ensure that invoices are approved by the same employee who initials the invoices as "OK" to pay. If approval is delegated, the invoices should clearly indicate the delegation. At no time should one individual sign for or indicate the approval of another party.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

Library Services will develop and implement department specific policy and procedures to ensure proper controls surrounding approval of Direct-Pay transactions.

TARGET COMPLETION DATE:

9/30/2018

AUDIT COMMENT 3**The exemption of books and materials from competitive purchasing appears reasonable and consistent with industry practices.**

The objective was to determine whether or not the Library Services exemption from the normal bid and purchasing process results in any internal control gaps over the purchasing of library books and materials.

Background of the Exemption

The existing Library Services exemption was authorized by the Board as part of the Procurement Policy, *Section §3-208 Defined Noncompetitive Procurements*. This exemption was first approved by the Board in 1984 and re-authorized on March 21, 2007 based on the recommendation of the Ad-Hoc Book Purchasing Committee under the Library Board. The Audit Team reviewed supporting documentation detailing events since the original exemption was granted.

The 1984 Board action authorized “an exemption from the normal bid and purchasing processes and allow(ed) the Library Department to purchase books and other library materials (periodicals, microfilm, recordings, films and other audio-visual materials) by direct order with invoices sent to the Library Department...”

The 2007 Board action “Approve(d) the Library Board’s recommendation to reauthorize the 1984 exemption from the County bid and purchasing process allowing Library Services to continue purchasing books and other library material by direct order with invoicing sent to the Library for payment.” <and> “Accept(d) an amendment by the Library Board’s Ad-Hoc Book Purchasing Committee to require (1) maximized use of the County’s PCard for discounts and (2) a bi-annual solicitation of pricing proposals for volume purchasing from major State contract vendors (to be reviewed by Procurement Services).”

Review of current Exemption

The Audit Team compared the County’s written procurement policy and procurement procedures to the current Library Services books and materials purchasing process and also inquired with the Procurement Services department to obtain feedback about the exemption.

The Library Services exemption is specifically limited to library books and materials purchases. All other types of purchases made by Library Services are subject to the same procurement policy and procedures as other County departments. While Procurement Services is responsible for establishing purchasing policy and procedures, it does not monitor or oversee the day-to-day steps and business processes that County departments perform for purchasing. Therefore, the Library exemption itself does not create a significant difference in the overall control environment for Library Services’ books and materials purchasing. Procurement Policy *Section §3-208 Defined Noncompetitive Procurements*, which includes the library exemption, also states that “Any

procurement under this Section shall be made with such competition as is practicable under the circumstances.”

Library Exemptions in Other Florida Counties

To determine whether or not library materials purchasing exemptions remain a common practice in the library industry, the Audit Team contacted other Florida counties and inquired as to whether or not they also have a similar exemption. Seventeen (17) counties were selected based on locality and population and were surveyed. The results are included in the table below.

COUNTY	LIBRARY SYSTEM NAME	EXEMPTION
Alachua	Alachua County Library District	YES
Baker	New River Public Library Cooperative	YES
Broward	Broward County Libraries Division	YES
Collier	Collier County Public Library	YES
Duval	Jacksonville Public Library *	NO
Escambia	West Florida Public Libraries	NO
Lee	Lee County Library System	YES
Leon	Leon County Public Library	YES
Manatee	Manatee County Public Library System	YES
Miami-Dade	Miami-Dade Public Library System	YES
Orange	Orange County Library System	YES
Palm Beach	Palm Beach County Library System	NO
Pasco	Pasco County Library Cooperative	YES
Pinellas	Pinellas Public Library Cooperative	N/A **
Polk	Polk County Library Cooperative	YES
Sarasota	Sarasota County Libraries	YES
Volusia	Volusia County Public Library	YES

* Duval County is a combined city-county government.

** Pinellas County has a library cooperative consisting of 14 different cities. Each have their own procurement policies and it could not be determined if they were exempt from soliciting competitive procurement.

The majority of the libraries, 13 of 17 surveyed, (76%), have an existing procurement exemption for library books and materials. Three do not have an exemption (18%).

RECOMMENDATION

We encourage Library Services to continue to partner with Procurement Services and periodically evaluate the effectiveness of the existing exemption. However, no material concerns related to the exemption were identified during the audit that require management’s corrective action.