AUDITOR'S REPORT

PUBLIC LIBRARY INTERIM DIRECTOR RON LUCIK CLOSEOUT PROCEDURES

AS OF NOVEMBER 4, 2014

February 12, 2016

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BARBARA J. SCHOTT, C.P.A.
HARRIS COUNTY AUDITOR

February 12, 2016

Mr. Edward James Melton, Director
Harris County Public Library
9220 Kirby Drive, Suite 100
Houston, Texas 77054

Dear Mr. Melton:

RE: Public Library Interim Director Ron Lucik Closeout Procedures

With the change in officials of the Harris County Public Library (the Office), the Compliance Audit Department performed closeout procedures as of November 4, 2014. Although you were not the office holder during the period of our procedures, we are addressing the Auditor's Report to you as the current office holder. Our procedures included the following:

- Determined whether cash in the Office reconciled to the imprest balance and the balance was accurately recorded in the County's Integrated Financial and Administrative Solution (IFAS) system.

- Determined whether the collections on hand reconciled to County receipts, financial reports generated by the Office, and a validated bank deposit slip or Treasurer's Receipt.

- On a test basis, determined whether controlled and capital assets existed and were accurately recorded in the County's property and equipment records.

The engagement process included providing you with a combined engagement and scope letter and conducting an entrance and exit conference with your personnel. The purpose of the letter and conferences was to explain the process, identify areas of concern, describe the procedures to be performed, discuss issues identified during the engagement, and solicit suggestions for resolving the issues. A draft report was provided to you and your personnel for review.

The enclosed Auditor's Report presents the significant issues identified during our procedures, recommendations developed in conjunction with your staff, and any actions you have taken to implement the recommendations. Less significant issues and recommendations have been verbally communicated to your staff.

Mr. Edward James Melton, Director
Harris County Public Library

We appreciate the time and attention provided by you and your staff during this engagement.

Sincerely,

Barbara J. Schott
County Auditor

cc: District Judges
County Judge Ed Emmett
Commissioners:
R. Jack Cagle
Gene Locke
Jack Morman
Steve Radack
Devon Anderson
Vince Ryan
William J. Jackson
Dorothy Washington
Judy Springer

TABLE OF CONTENTS

ISSUES AND RECOMMENDATIONS 4

Items Not Located 4

Serial Numbers 5

Friends of the Library Collections 6

APPENDIX – Inventory Records Exceptions 7

ISSUES AND RECOMMENDATIONS				
Subject	**Background**	**Issue**	**Recommendation**	**Management Response**
Items Not Located	Pursuant to Harris County Accounting Procedure A.1-1, *Property Handling Guidelines*, assets that are no longer in the Office's control and considered missing should be removed from the County's property and equipment records for the Office by requesting Commissioners Court approval to remove the assets.	Of the 35 assets selected for testing, seven assets (20%) totaling $27,984 could not be located. Two items are considered capital assets with a unit value of $5,000 or more. The remaining five are considered County controlled assets with a unit value of at least $500 but less than the $5,000 capitalization threshold. As a result, the County's property and equipment records and financial accounting records may be overstated. See note "a" on the attached Appendix.	The Office should attempt to locate these assets, and steps should be taken to identify and address the cause of the missing assets. If they are unable to do so, they should determine whether County Auditor's Form 3351, *County Property Deletion/Indemnification Request Form,* should be submitted to Purchasing to obtain Commissioners Court approval to remove these assets from the County's property and equipment records. To improve internal controls, the Office should consider generating a quarterly asset report and review the data entry fields to monitor the quality of information and errors, such as items not located, and perform periodic	All of these items are old and obsolete. Form 3351s have been prepared for submission for all items marked "a". HCPL will take extra measures to monitor the entire asset verification process from acquisitions through disposal. Some these items were transferred to Purchasing but were not removed from the asset database.

ISSUES AND RECOMMENDATIONS				
Subject	**Background**	**Issue**	**Recommendation**	**Management Response**
(Continued) Items Not Located			property inventory audits.	
Serial Numbers	Pursuant to Harris County Accounting Procedure A.1-1, *Property Handling Guidelines*, (Procedure A.1-1), the County department must ensure the inventory records reflect sufficient identifying information that includes unique identifying serial numbers.	There are nine items totaling $28,205 recorded in the County's property and equipment records that do not contain a unique identifying serial number. As a result, items cannot be accurately reconciled with the County's property and equipment records, which results in noncompliance with Procedure A.1-1. See note "b" on the attached Appendix.	The Office should correct the property and equipment records by recording the serial numbers for each item. The Office should ensure the County's property and equipment records contain accurate information, including unique identifying numbers. To improve internal controls, the Office should consider generating a quarterly asset report and review the data entry fields to monitor the quality of information and errors, and perform periodic property inventory audits.	All of the records marked as b,c except for P166535-001-001 have been updated in IFAS. Serial numbers and receipt dates have been added. The remaining item is marked "Sold At Auction" by Purchasing.

ISSUES AND RECOMMENDATIONS				
Subject	**Background**	**Issue**	**Recommendation**	**Management Response**
Friends of the Library Collections	The Friends of the Library (Friends) is a non-profit organization that has a contract approved by Commissioners Court to operate at the various Libraries within the County. One of the organization's purposes is to raise funds by selling donated books. In accordance with the contract agreement, Friends will deposit all funds received from sales into their established bank account. In addition, it will maintain an accounting system that will accurately reflect the collection of gross receipts.	At the Spring Branch location, Friends' daily cash register receipts are being commingled on the same register, which includes the receipts for the County. However, Friends' daily cash collections are not combined with the County's cash collections. Commingling funds of two different organizations reduces accountability of funds and increases the risk of loss to the County.	The Spring Branch location should implement controls to ensure that only the County's receipts are processed in their cash register. In addition, the Friends should follow the approved Commissioners Court contract agreement and maintain an accounting system which clearly and accurately reflects the collection of gross receipts. They should also discontinue using the County's cash register.	Since February 2015, Friends book sale collections have remained a self-service operation and receipts are counted by a Friends group member. As recommended, the library branch manager does not perform a daily count of donation box receipts nor records the total in the County's cash register. County revenue receipts and Friends donated receipts are stored separately overnight.

Harris County Public Library
Appendix
Inventory Records Exceptions

OrgKey	Asset ID	Notes	Description	Received Date (If Applicable)	Serial Number	Status	Cost	Quantity
10028501	A009331-A01	a	MULTIPLEXER ELITE 1 4-PORT	11/1/1993	FD1367	TV	$8,005.50	1
10028560	P127371-001-001	a,c	DELL LATITUDE D630 LAPTOP		7C2CLD1	UA	$1,412.56	1
10028501	A053883-A01	a,c	RECOGNITION WAND SCANNER OCR MOD 40		274873	TG	$2,008.24	1
10028505	P074481-001-001	a,c	APPLE CTO POWERBOOK G4 GNRC		W8418063QW2	UA	$2,040.79	1
39628505	P089843-001-001	a,c	LAPTOP, APPLE POWERBOOK G4 15 1.67 SUPE"		W85170S1SQ7	UA	$2,321.53	1
10028501	0341852-003-001	a	VIDEO PROJECTOR COLOR EIKI	2/13/1996	G4Z03332	TG	$3,195.00	1
10028560	P106007-001-001	a,b	PROCESSING BOARD 7200 CISCO NETWORK	7/29/2010		TV	$9,000.00	1
IPF28505	P086064-001-001	b	LAMINATOR TITAN 110 43"TV"	5/23/2005		TV	$9,069.32	1
10028560	P218842-001-001	b,c	APPLE MAC MINI 2.5 500 GB 4 GB,			UA	$587.02	1
39328530	P169367-042-002	b,c	TELEVISION			UA	$835.00	1
39328530	P169367-042-001	b,c	TELEVISION			UA	$835.00	1
10028560	P202368-001-001	b,c	APPLE MAC MINI 2.0GHZ 1TB 4GB,			UA	$979.02	1
39328530	P166535-001-001	b,c	POCKET CIRC HANHELD UNIT			UA	$1,610.00	1
39328530	P169367-054-001	b,c	Mitsubishi (MDT421S) 42 LCD 1080p Flat"			UA	$1,995.00	1
39328530	P169367-024-001	b,c	Mitsubishi (MDT521S) 52 LCD 1080p Flat"			UA	$3,295.00	1

Notes

a	Asset not Located
b	No Serial Number
c	No Received Date

Status Codes

UA	User Asset, County Controlled
TV	Tagged by Purchasing, Approved for an Asset by Auditor's Office (Accounting).
TG	Tagged by Purchasing Services