

OFFICE OF THE CITY AUDITOR

Audit Report

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Performance Audit:
Stockton San Joaquin County
Public Library –
Fees and Fines



November 2008

Background – Fees and Fines

- Fees are charged for certain services
- Fines are assessed on late return of or lost library materials
- A collection agency is used to assist in collecting overdue accounts
- Library privileges may be suspended for nonpayment
- Library management asked City Auditor to include Library in audit plan, with the fees and fines process identified as an area of interest

Audit Objectives – Fees and Fines

- Is the collection of fees and fines done in compliance with laws, regulations, and policies?
- Are internal controls over fees and fines adequate?

Audit Scope – Fees and Fines

- Procedures designed and operating as of April 30, 2008
- Transactions and other activities from July 1, 2006 to April 30, 2008

Audit Methodology – Fees and Fines

Auditing:

- Reviewed Stockton Municipal Code (SMC), Council policies, Library policies, and collection agency contract
- Interviewed staff and management of the Library
- Documented processes used in the assessment and collection of fees and fines
- Analyzed data for collections and amounts due
- Evaluated compliance and internal controls

Methodology - Government Auditing Standards

We conducted our audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

Note: This statement is required by Government Auditing Standards, section 8.30.

Overall Results – Fees and Fines

Based on the results of our audit, we conclude that controls and operating procedures need to be improved in order to:

- Improve collection of overdue fees and fines
- Maintain accountability for fees and fines
- Maintain compliance with SMC
- Write off fees and fines once they become uncollectible

Finding – Accounting for Fees and Fines

Condition:

Transactions are accounted for using three different systems. The three systems do not reconcile to each other. Data within the SIRSI system does not reconcile for 2007 activity. Procedures are not in place for periodic reconciliation.

Management Action Plan:

- Work with Financial Management Department to:
 - Establish written procedures for reconciliation of transactions.
 - Establish periodic (weekly, monthly) reconciliation of billing and collection data.
 - Do previous 3-year reconciliation.
 - Determine need for additional time periods.
- With IT Department, investigate software/hardware that would reconcile transactions in the SIRSI system, cash register system, and general ledger.
- Lower fine blocking threshold from \$14.99 to \$9.99.
- Investigate use of credit/debit cards to make fine payment more convenient.
- Implement credit/debit card payment in upgraded self-checkout machines.

Target date: June 30, 2010

Finding – Practice of waiving fines conflicts with SMC

Condition:

- Library employees have been given the discretion to waive fines for overdue materials.
- Fines waived during fiscal year 2007 totaled \$46,462.
- This practice is in conflict with SMC § 1-027.
- The practice, while contrary to SMC, may have some beneficial use, however
 - In practice, waiving fines is not monitored for unusual patterns or use contrary to the level of discretion given.
 - Employees do not always process transactions using their own computer sign-on, making any monitoring process more difficult.

Management Action Plan:

- Consult with City Attorney for Library's fine-waiving options.
- Carry forward options suggested/ approved by City Attorney.
- Revise 1997 City QSP Team-approved Library policy for waiving fines.
- Train staff in revised procedures.
- Lower fine blocking threshold from \$14.99 to \$9.99 to encourage payment of smaller fines.

Target Date: June 30, 2009

Finding – Large balance of uncollected accounts

Condition:

Library data shows approximately \$3,400,000 in unpaid fines that had been billed between 1984 and 2007. Approximately \$491,000 was less than one year old, and approximately \$1,358,000 was more than four years old.

Management Action Plan:

- Remove all fines older than four years from item records and patron records.
- Work with City Attorney and City of Stockton Financial Management Department to implement City procedures for writing off fines/fees.
- Work with City of Stockton Financial Management Department to assist with fine collection through the City's existing billing process.
- Annually purge records with fines older than four years.
- Lower fine blocking threshold from \$14.99 to \$9.99.
- Lower collection agency threshold from \$49.99 to \$24.99.

Target Date: June 30, 2010

Finding – Accountability for accounts turned over to collection agency not maintained

Condition:

Library has a contract with a collection agency to pursue outstanding amounts owed for overdue fines. The collection agency submits reports of accounts and amounts received, which are supposed to be reconciled to Library records. The reconciliation does not occur in a timely manner.

Management Action Plan:

Re-train staff responsible for the collection agency accounts to run reports and reconcile account information to the Library's records.

Target Date: June 30, 2009

Finding – Collection agency resources not fully utilized

Condition:

Unpaid balances which exceed \$50 are not always sent to the Library's collection agency. Accounts of minors are not sent to the collection agency. Accounts must have charges for lost materials to be sent to the collection agency.

Management Action Plan:

- The parental/guardian signing procedure was implemented July 1, 2008.
- Refine procedure for the volunteering/ reading option to satisfy debts.
- Implement appropriate staff training.
- Review current practices in sending accounts to collection agency.
- Lower fine blocking threshold from \$14.99 to \$9.99.
- Lower collection agency threshold from \$49.99 to \$24.99.

Target Date: June 30, 2009

Other Comments

- Auditing will include findings in quarterly and annual follow-up process.
- Additional observations and suggestions were provided to Library management in a separate memorandum.

**We appreciate the interest and cooperation of
Library staff throughout our audit.**

Audit Team:

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