



Office of the City Auditor

## INFORMATION CALENDAR

June 8, 2004

To: Honorable Mayor and  
Members of the City Council

From: Ann-Marie Hogan, City Auditor

Subject: Berkeley Public Library Purchasing and Accounts Payable Audit

### INTRODUCTION

A performance audit was performed at the Berkeley Public Library with the following objectives:

1. Evaluate the effectiveness of the internal control structure over purchasing and accounts payable operations in the Library's:
  - a. Administration Division and
  - b. Order Unit (Located in the Technical Services Division).
2. Identify and evaluate the effectiveness of Library efforts to reduce workers' compensation claims at the Central Library.

The attached audit report was presented to the Library Board of Trustees on May 12, 2004. Library management has agreed to implement all of the audit recommendations in the report. The Library Director and the Library Board of Trustees agreed that a report would be presented to the Board within six months regarding the implementation status of the audit recommendations in our report.

### SUMMARY

The audit found that the internal control structure over the purchasing and accounts payable operations in both the Administrative Division and the Order Unit would not provide management with reasonable assurance that Library funds are being spent as the Board of Trustees had approved. The audit also found that the Library appears to be taking adequate steps to identify and correct safety concerns at the Central Library, a direct effort to help reduce the risk of workers' compensation claims.

The audit report includes 7 audit findings and 20 recommendations.

Concerns with the internal control structure include the following:

1. Several employees have the authorization to perform incompatible purchasing and accounts payable duties, in particular the Financial Manager. (Finding 1)

2. There is a lack of documented review and approval of purchase requests. Review and approval of accounts payable activity is not always sufficient. The names and signatures of supervisors and managers authorized to review and approve orders and payments are not on file for purchasing and accounts payable staff. (Finding 2 and 4)
3. The purchasing requirements for some dollar thresholds are unclear or subjective, and those that are clear are not always followed. (Finding 2)
4. Library material expenditures accounted for in the III library material database and the accounting system, FUNDS\$, are not being properly reconciled. (Finding 3)

The audit also found:

5. Library Administration is issuing purchase orders for almost all goods and services, but is not accounting for expenditures by purchase order, an unusual practice. (Finding 2).
6. Expenditures for library materials are often not accounted for in FUNDS\$ using the proper budgeted expenditure accounts.(Finding 5)
7. Purchasing and payment procedures in the Order Unit provide very little direction to staff. (Finding 4)
8. Voucher forms are being inappropriately used. (Finding 6)
9. It appears that adequate steps are being taken to identify and correct safety concerns at the Central Library. However, Central Library managers are not held specifically and directly responsible for the safety of their staff to the extent required by OSHA. (Finding 7)

Almost all the audit recommendations in the audit report are designed to improve the internal control structure over purchasing and accounts payable operations in the locations audited, as well as improve the quality of the information that is available in these areas.

#### FISCAL IMPACTS OF RECOMMENDATION

It does not appear the Library will incur additional costs to implement the audit recommendations.

#### CONTACT PERSON

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Approved:

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