

**SAN FRANCISCO  
PUBLIC LIBRARY  
COMMISSION:**

A Review of the  
Cash Revolving Fund  
July 1, 2004, Through  
August 31, 2005

**FINANCIAL AUDITS  
DIVISION**



*March 10, 2006  
05016*



**CITY AND COUNTY OF SAN FRANCISCO**  
**OFFICE OF THE CONTROLLER**

**Ed Harrington**  
**Controller**  
**Monique Zmuda**  
**Deputy Controller**

March 10, 2006

Audit Number 05016

San Francisco Public Library Commission  
San Francisco Public Library  
100 Larkin Street  
San Francisco, CA 94102

President and Members:

The Office of the Controller presents its report concerning the review of the cash revolving fund of the San Francisco Public Library (Library). The Library uses the revolving fund to pay for minor purchases of materials and services, employee field expenses and to provide petty cash and change funds to its various branch libraries (branches) and departments of the main library.

**Reporting Period:** July 1, 2004, through August 31, 2005

**Authorized Amount:** \$5,000

**Results:**

As of October 5, 2005, the Library's cash revolving fund assets exceeded the amount authorized in the San Francisco Administrative Code and as recorded in the Controller's Financial Accounting and Management Information System by \$426.99. This occurred because the Library did not adequately manage its petty cash and change funds at the various branches and departments of the main library and did not properly administer the revolving fund.

We also consider the authorized amount of the revolving fund to be excessive. We estimate that a \$3,500 revolving fund should be sufficient to meet the department's current operational needs.

The Library's response is attached to this report. The Controller's Financial Audits Division will be working with the Library to follow up on the status of the recommendations made in this report.

Respectfully submitted,

*Original signed by:*  
Ed Harrington  
Controller

# INTRODUCTION

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## BACKGROUND

The Board of Supervisors of the City and County of San Francisco appropriated a cash revolving fund of \$5,000 to the San Francisco Public Library (Library) under the San Francisco Administrative Code (Administrative Code) Section 10.155. The Library uses the revolving fund to pay for minor purchases of materials and services, employee field expenses and to provide petty cash and change funds to its various branch libraries (branches) and departments of the main library. The revolving fund consists of various petty cash and change funds totaling \$3,119 and \$1,881 remains on deposit in a checking account.

## SCOPE AND METHODOLOGY

The purpose of this review was to determine whether the Library's revolving fund assets agreed with the amount authorized in the Administrative Code and recorded in the Controller's Financial Accounting and Management Information System (FAMIS). We also determined if the Library properly administered and used the revolving fund in compliance with the Controller's Departmental Instruction No. 1052. In addition, we assessed whether the internal controls over the fund were adequate, and whether the revolving fund was sufficient to meet the Library's operational needs.

To conduct the review, we examined the applicable provisions of the Administrative Code, the Controller's Departmental Instruction No. 1052, and the Purchaser's *Guide to Ordering Goods and Services*. We evaluated the Library's procedures for recording, summarizing, and reporting the revolving fund transactions. We also reviewed, on a sample basis, the Library's revolving fund transactions during the review period to determine whether the transactions were proper and valid. Finally, we conducted unannounced cash counts of petty cash and change funds at all branches and departments of the main library.

# RESULTS

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## **THE LIBRARY'S REVOLVING FUND EXCEEDED ITS AUTHORIZED AMOUNT**

**A**s of October 5, 2005, the Library's cash revolving fund balance exceeded the amount authorized in the Administrative Code and as recorded in FAMIS by a net total of \$426.99. This included a \$481.99 net excess of petty cash and change funds at the branch libraries (branches) and departments of the main library and a shortage of \$55 in the Library's revolving fund bank account. This occurred because the Library did not adequately manage and administer its cash revolving fund.

## **THE LIBRARY DID NOT ADEQUATELY MANAGE ITS PETTY CASH AND CHANGE FUNDS**

Many of the branches and departments of the main library did not adequately account for the petty cash and change funds entrusted to them. This occurred primarily as a result of inadequate instruction and monitoring of allocated petty cash and change funds at the branches and departments of the main library. Also, the Library did not periodically count and reconcile the funds to verify the existence and proper accounting of fund assets.

We found that three branches were not aware that they had petty cash funds allocated to them and many branches did not know how to use the petty cash funds. Eleven of the 26 branches were not actively using their petty cash funds and many had not used their fund for several years. The amount of unused funds by the branches totalled \$280.

We also noted that several branches were not making their weekly deposit of revenues collected from overdue fees and fines as required by the Library's Finance Department. For example, at a certain branch library, the weekly deposit had not been done for many weeks. According to its fund custodian, this was due to employee time restrictions because of limited staff on hand. In addition, many branches and departments of the main library did not count and reconcile their allocated change funds on a daily basis. Consequently, the Library increases its risk of loss of funds when it does not count, reconcile and deposit its funds promptly.

The Library recorded and allocated petty cash funds of \$443 and change funds of \$656 for use by the various departments of the main library. We found that five departments that were allocated petty cash and change funds could not account for \$194 of those funds. According to the Chief of Main, these funds were depleted or transferred from a petty cash fund to a change fund many years ago; however, the fund allocation was never revised. Subsequently, the Chief of Main notified the Finance Department that they no longer had these funds.

The Appendix presents the results of our cash counts by location.

### **THE LIBRARY DID NOT PROPERLY ADMINISTER THE REVOLVING FUND**

The shortage of \$55 in the Library's revolving fund was due to a \$55 unsupported book adjustment that had been carried forward for several years. According to the principal accountant, the Library is aware of the difference and will make appropriate adjustments in consultation with the Controller's Office.

We also identified six checks issued from the Library's revolving fund bank reconciliation totaling \$58.32 that had been outstanding for more than six months. The Library did not write off these checks in compliance with Departmental Instruction No. 1052, which requires city departments to write off checks that have been issued and outstanding for more than six months and to deposit the amount of the checks to the department's non-operating revenue account.

Finally, we did not find evidence of management level reviews of the monthly bank reconciliations to ensure that the reconciliations were properly approved. There was also no indication of who prepared the bank reconciliation and the date it was actually performed. However, according to the Finance Director, timely reviews are performed on the monthly bank reconciliations even though actual approval signatures were not used.

Notwithstanding the above items, we found that the Library used its cash revolving fund assets within the intended purpose of the fund in compliance with the Controller's Departmental Instruction No. 1052. In addition, the expenditures made by the Library were valid and properly supported.

## **THE LIBRARY'S REVOLVING FUND BALANCE IS EXCESSIVE**

The department's authorized revolving fund of \$5,000 exceeds the amount it needs to meet its operational requirements. The Library submitted only five reimbursement requests totaling \$2,320 for the 14-month review period to replenish its revolving fund. We calculated that the Library was reimbursed an average of \$165 per month during this period. Comparatively, in fiscal year 2003-2004, the Library submitted six reimbursement requests totaling \$1,392, which averaged a \$116 monthly expenditure. If the Library reduced its revolving fund balance to \$3,500, it would still have sufficient funds to meet its operational needs.

## **RECOMMENDATIONS**

To ensure that the San Francisco Public Library properly manages and administers its revolving fund, we recommend that the Library take the following actions:

- Deposit the \$481.99 overage of its revolving fund into its non-operating revenue account.
- Provide written instructions to assist fund custodians in their responsibilities to properly maintain and account for the funds entrusted to them.
- Conduct periodic, independent cash counts of all petty cash and change funds to ensure that branches and main library departments are properly account for their funds.
- Inform all its branch libraries and departments of the main library of the amounts they will be accountable for in the petty cash and change funds.
- Reduce petty cash funds at all locations to \$15, with the exception of the Finance Department. The Department should maintain a balance of \$155.
- Perform an annual assessment of petty cash fund usage at all locations and recall funds that are not actively used.

- Establish procedures to ensure that branch libraries deposit revenues on a consistent basis, including measures to follow-up on late deposits.
- Take appropriate action to update the petty cash and change fund records to show accurate allocation to the branch libraries and departments of the main library.
- Correct the shortage of \$55 in the bank reconciliation and accounting records.
- Write off the six checks totaling \$58.32 that has been outstanding for more than six months. The Library should coordinate with the Controller's Accounting Operations and Systems Division to properly account for this transaction.
- Provide evidence of management reviews of the monthly bank reconciliations. The name of the preparer and date of the reconciliation should also be noted.
- Request the Board of Supervisors to amend the Administrative Code to decrease the authorized amount of its revolving fund balance from \$5,000 to \$3,500. If authorized to reduce the amount, the Library should return the excess funds to the Controller.
- Submit monthly reimbursement requests to the Controller's Office to replenish the Library's revolving fund.

We conducted this review according to the standards established by the Institute of Internal Auditors. We limited our review to those areas specified in the scope and methodology section of this report.

Staff: Kevin Baloca, Audit Manager  
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## Appendix

<i>Branch Libraries</i>	PETTY CASH			CHANGE FUND		
	<i>Audited</i>	<i>Allocated</i>	<i>Difference</i>	<i>Audited</i>	<i>Allocated</i>	<i>Difference</i>
Anza	\$ 30.00	\$ 30.00	-	\$ 40.00	\$ 40.00	-
Bayview	30.00	30.00	-	34.95	35.00	(0.05)
Bernal Heights	30.00	30.00	-	35.00	35.00	-
Chinatown	137.96	40.00	97.96	40.00	130.00	(90.00)
Eureka Valley	30.00	30.00	-	50.65	50.00	0.65
Excelsior	40.00	40.00	-	49.70	50.00	(0.30)
Glen Park	20.00	20.00	-	35.00	35.00	-
Golden Gate	20.00	20.00	-	34.90	35.00	(0.10)
Ingleside	20.00	20.00	-	61.66	35.00	26.66
Marina	30.00	30.00	-	35.00	35.00	-
Merced	30.03	30.00	0.03	50.00	50.00	-
Mission	40.17	40.00	0.17	132.90	130.00	2.90
Noe Valley	30.00	30.00	-	56.80	50.00	6.80
North Beach	36.55	30.00	6.55	48.83	40.00	8.83
Ocean View	45.00	20.00	25.00	25.00	25.00	-
Ortega	30.00	30.00	-	36.90	35.00	1.90
Park	20.90	20.00	0.90	131.67	35.00	96.67
Parkside	96.32	40.00	56.32	71.19	50.00	21.19
Portola	20.00	20.00	-	35.00	35.00	-
Potrero	20.00	20.00	-	170.47	25.00	145.47
Presidio	30.00	30.00	-	50.00	50.00	-
Richmond	42.22	40.00	2.22	106.12	100.00	6.12
Sunset	40.10	40.00	0.10	100.00	100.00	-
Visitacion	41.11	20.00	21.11	56.06	35.00	21.06
West Portal*	-	-	-	-	-	-
Western Addition	60.00	30.00	30.00	50.00	50.00	-
<b>Subtotal</b>	<b>\$ 970.36</b>	<b>\$ 730.00</b>	<b>240.36</b>	<b>\$ 1,537.80</b>	<b>\$ 1,290.00</b>	<b>247.80</b>
<i>Departments of the Main Library</i>	PETTY CASH			CHANGE FUND		
	<i>Audited</i>	<i>Allocated</i>	<i>Difference</i>	<i>Audited</i>	<i>Allocated</i>	<i>Difference</i>
Borrowers Services	\$ -	\$ 50.00	(50.00)	\$ 796.10	\$ 600.00	196.10
Tech Services	50.00	50.00	-	-	-	-
C.O.M Art & Music	-	-	-	-	6.00	(6.00)
C.O.M Inter Lib. Loan	-	53.00	(53.00)	-	-	-
Finance	154.98	155.00	(0.02)	-	-	-
Library for the Blind	-	60.00	(60.00)	-	-	-
Special Collections	-	50.00	(50.00)	50.00	-	50.00
SCF Library Info.	-	25.00	(25.00)	-	-	-
Chief of Main Office	-	-	-	41.75	50.00	(8.25)
<b>Subtotal</b>	<b>\$ 204.98</b>	<b>\$ 443.00</b>	<b>(238.02)</b>	<b>\$ 887.85</b>	<b>\$ 656.00</b>	<b>231.85</b>
<b>Total</b>	<b>\$ 1,175.34</b>	<b>\$ 1,173.00</b>	<b>2.34</b>	<b>\$ 2,425.65</b>	<b>\$ 1,946.00</b>	<b>479.65</b>
	<i>Audited</i>	<i>Authorized</i>	<i>Difference</i>			
Petty Cash	\$ 1,175.34	\$ 1,173.00	2.34			
Change Fund	2,425.65	1,946.00	479.65			
<b>Total</b>	<b>\$ 3,600.99</b>	<b>\$ 3,119.00</b>	<b>481.99</b>			

\* Temporarily closed for renovation. Funds were returned to the Finance Dept.

## **SAN FRANCISCO PUBLIC LIBRARY RESPONSE TO THE REPORT:**

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The San Francisco Public Library (Library) did not provide a formal response. However, the Library's chief financial officer stated via e-mail that the Library agreed with all of the recommendations in the report except for one.

The Library did not agree with our recommendation to request a decrease in the authorized revolving fund balance from \$5,000 to \$3,500. According to him, the Library will be implementing new procedures and provide training and guidance to staff in order to maximize the use of the entire fund balance for its 26 branch libraries and departments of the main library. Furthermore, he believes that the fund balance is best used to facilitate the processing of small payments for its operations rather than processing these payments directly through the Financial Accounting and Management Information System.

## **CONTROLLER'S FINANCIAL AUDITS DIVISION COMMENTS ON THE RESPONSE FROM THE SAN FRANCISCO PUBLIC LIBRARY:**

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To provide clarity and perspective, we are commenting on the response to our report from the San Francisco Public Library (Library) regarding our recommendation to decrease the Library's revolving fund balance from \$5,000 to \$3,500.

While we acknowledge that the Library will be establishing written procedures and providing training to fund custodians to maximize the use and effectiveness of the fund at the various branch libraries and departments of the main library, we believe that the revolving fund amount is still excessive. We derived our \$3,500 recommendation through a combination of a petty cash use analysis, reimbursement analysis and in consideration of funds that the Library no longer used and that we could not locate during our review.

cc:

Mayor  
Board of Supervisors  
Civil Grand Jury  
Budget Analyst  
Public Library