

INTERNAL AUDIT REPORT

2017-10

Library Donations

Anchorage Public Library

October 12, 2017

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Municipality of Anchorage

Ethan Berkowitz, Mayor
Internal Audit Department

October 12, 2017

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2017-10, Library Donations, Anchorage Public Library**. A brief summary of the report is presented below.

In accordance with the 2017 Audit Plan, we have completed an audit of the Anchorage Public Library Donations. The objective of this audit was to determine whether donations to the Anchorage Public Library were properly accounted for and used for their intended purpose. To accomplish our objective, we reviewed donation information at the Anchorage Public Library, interviewed Anchorage Public Library staff, and reviewed current policy and procedures.

Our audit revealed that the Anchorage Public Library has not always properly accounted for donations made for specific purposes. For example, donations made to the Anchorage Public Library were not recorded on a log when they were received by Anchorage Public Library staff. In addition, there was no written agreement between the Municipality of Anchorage and the Anchorage Library Foundation authorizing the Municipality of Anchorage to provide employee labor and resources to support the Anchorage Library Foundation's donation activities and Municipal employees sometimes ordered materials for the Friends of the Library using donation funds. Finally, over \$14,000 in donated funds had not been appropriated at the time of this audit and there was a lack of segregation of duties regarding controls over the processing of donations received for the Anchorage Library Foundation.

There were five findings in connection with this audit. Management was responsive to the findings and recommendations.

Michael Chadwick, CIA, CICA
Director, Internal Audit



Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

October 12, 2017

Internal Audit Report 2017-10 **Library Donations** **Anchorage Public Library**

Introduction. The Anchorage Public Library (Library) receives donations to help fund its operations. Donations are typically comprised of cash and books. Cash donations are directed to either the Anchorage Library Foundation (Foundation), the Friends of the Library, or the Library. The Foundation and Friends of the Library then make donations to the Library. Some cash donations made directly to the Library are received with specific purposes. Donor specified requests may include certain genres or titles, and can include a book plate in honor of someone.

Objective and Scope. The objective of this audit was to determine whether donations to the Library were properly accounted for and used for their intended purpose. To accomplish our objective, we reviewed donation information at the Library, interviewed Library staff, and reviewed current policy and procedures.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. 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 based on our audit objectives. The audit was performed during the period of July through September 2017.

Overall Evaluation. The Library has not always properly accounted for donations made for specific purposes. For example, donations made to the Library were not recorded on a log when they were received by Library staff. In addition, there was no written agreement between the Municipality of Anchorage (Municipality) and the Foundation authorizing the Municipality to provide employee

labor and resources to support the Foundation's donation activities and Municipal employees sometimes ordered materials for the Friends of the Library using donation funds. Finally, over \$14,000 in donated funds had not been appropriated at the time of this audit and there was a lack of segregation of duties regarding controls over the processing of donations received for the Foundation.

FINDINGS AND RECOMMENDATIONS

1. Tracking Procedure for Donations Not Followed.

- a. **Finding.** Donations made to the Library were not recorded on a log when they were received by Library staff. The Library's procedure for processing cash or check donations states that "All donations are entered into [*sic*] donation log." We found the last entry in the donation log was in 2012, although donations have been made to the Library since that time. Donations can be used for the purchase of books and can include a request that the name of the donor be placed on the book. For example, in 2016, individuals donated \$1,575 for the purchase of books and electronic books. At the time of this audit, these materials had not been purchased even though the funds were appropriated in December 2016. In another case, in 2016, two donations of \$150 each were made to the Library. These donations have not yet been spent or appropriated. Since these donations were not entered into a donation log, Library staff responsible for using the donations to purchase materials were not always aware of the donations.
- b. **Recommendation.** The Library Director should ensure that when donations are made to the Library, they are logged to help ensure they are used for their intended purposes.
- c. **Management Comments.** Management concurred and stated,
 - “• Update library log procedures, which will allow for individual APL donations to be tracked and verified. This list will be maintained and stored on the

Library G drive. Donor back up materials will be stored in the Jr. Admin Officer office for access in case of audit or updating donor newsletters, correspondence, etc.

- “• Library management will develop a Library donation form and form thank you letter for APL staff to incorporate in their donation-intake procedures. The form will have options for restricted gifts to be created by the Library so that restrictions fit into our existing categories. The form and thank you letter will have a disclaimer that the Library will do its best to honor donor wishes, but if the restriction is too specific, such as a particular book title, the Library may put it toward the closest use. Expected completion: Oct. 31, 2017

- “• Library management will work with the Friends of the Library and Anchorage Library Foundation to update/create formal agreements to better delineate roles and responsibilities. Expected completion: January 2018

- “• All library locations have Friends of the Library and Anchorage Library Foundation donor envelopes to hand out to patrons who do not wish to give directly to the Library. The updated/created agreements with the Friends of the Library and the Anchorage Library Foundation will include provisions for the collection and processing of these funds. Expected completion: January 2018”

d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **No Agreement between Municipality and the Foundation.**

a. **Finding.** There was no written agreement between the Municipality and the Foundation authorizing the Municipality to provide employee labor and resources to

support the Foundation's donation activities. Specifically, the Library actively supported the Foundation using Municipal employee time and effort to solicit donations, receive donations, process donations, prepare deposits, prepare grant requests, and provide donor correspondence. In addition, Municipal resources such as office space and office equipment were provided to the Foundation. The Library assumes liability and risk by providing labor and resources on behalf of others without a written agreement.

b. **Recommendation.** The Library Director should ensure that a written agreement is entered into with the Foundation. This agreement should include an audit clause. If no agreement will be entered into, the Library Director should discontinue the practice of using Municipal resources and employees to perform work for the Foundation.

c. **Management Comments.** Management concurred and stated,

“• The Library will draft a written agreement with Foundation that includes an audit clause.”

d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Materials Ordered for Friends of the Library.**

a. **Finding.** Municipal employees sometimes ordered materials for the Friends of the Library using donation funds. For example, a Municipal employee ordered \$1,300 of ear buds (headphones) for the Friends of the Library in November 2016 using Library material donation funds. The containers holding the ear buds had the Friends of the Library logo printed on them. The ear buds were then sold by Municipal employees and the proceeds were deposited into the Library's donation account. However, the Letter of Agreement with the Friends of the Library states that the Friends of the

Library “. . . shall be responsible for ordering and purchasing its inventory and supplies. . . .”

b. **Recommendation.** The Library Director should ensure that Municipal employees do not order and purchase inventory and supplies for the Friends of the Library. In addition, the Letter of Agreement should be updated to specify how proceeds from merchandise sales for Friends of the Library should be processed.

c. **Management Comments.** Management concurred and stated,

“• The Library will update the letter of agreement with the Friends of the Library to reflect the purchase of materials meant to be used as a service for the library.”

d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

4. **Donated Funds Not Always Appropriated.**

a. **Finding.** Over \$14,000 in donated funds had not been appropriated at the time of this audit. According to the Library’s donation procedure, “Assembly appropriation requests will be done quarterly.” The last appropriation request was approved by the Assembly in February 2017.

b. **Recommendation.** The Library Director should ensure that donated funds are appropriated quarterly as stated in the Library’s donation procedure.

c. **Management Comments.** Management concurred and stated,

- “• Donations will be appropriated on a quarterly basis per APL P&P for donations.
- “• Deptids and project numbers will be updated to better identify the donation type such as earbuds/flash drives, materials donations, and specific donor request donations (as needed). Closing out the current 5318G 5383000 and appropriating current unappropriated dollars for availability to be spent as the Collections coordinator and APL administration deem appropriate.”

d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

5. **Lack of Segregation of Duties.**

a. **Finding.** There was a lack of segregation of duties regarding controls over the processing of donations received for the Foundation. Specifically, we found one individual had authority over receiving donations in the mail, opening the mail, processing the deposit, and reconciling the bank statement. Adequate segregation of duties is important to help ensure that donations are appropriately processed.

b. **Recommendation.** The Library Director should ensure that duties are segregated among different individuals.

c. **Management Comments.** Management concurred and stated,

- “• Procedures will be established that ensure donations received are opened and logged by two people. In addition, all donations will be tracked by the Admin

office and complete records of all donations will be kept in the Admin Office files.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on September 6, 2017.

Audit Staff:
Dawn Brown