

BERKELEY PUBLIC LIBRARY

Jackie Y. Griffin
Director of Library Services

INFORMATION CALENDAR
September 28, 2004

To: Honorable Mayor and
Members of the City Council

From: Jackie Y. Griffin, Director of Library Services

Subject: Berkeley Public Library Purchasing and Accounts Payable Audit Implementation Update

RECOMMENDATION

Examine the implementation of the Berkeley Public Library Purchasing and Accounts Payable Audit.

SUMMARY

The Library prepared this report to update the City Council on the progress made on the recommendations from the June 8, 2004 "Berkeley Public Library Purchasing and Accounts Payable Audit," which was conducted by the City Auditor's Office. The Library had requested the City Auditor to review and make recommendations for improvement in the areas of purchasing and accounts payable and staff safety.

The Library has **implemented (85%)** or **begun implementation (15%)** on all of the recommendations including:

- **Implemented 2/1/04.** Segregation of purchasing and accounts payable duties in the Library Administration Division.
- **Implemented 7/1/04.** Improved purchasing procedures in the Library Administration Division for better internal control.
- **Implemented 8/1/04.** Periodic reconciliation of library material expenditures in FUNDS and the III materials ordering system.
- **Partially Implemented 7/1/04** Improved ordering and payment procedures in the Order Unit for better internal control.
- **Implemented 7/1/04.** Periodic adjusting journal entries for library material expenditures in FUNDS.
- **Implemented 4/1/04.** Replacement of the outdated voucher form.
- **Implemented 3/1/04.** Increased manager responsibility for staff safety.

Attachment A gives more detailed information, with implementation dates, related to the seven specific audit findings and twenty audit recommendations (Sections V., VI. and VII.).

FISCAL IMPACTS OF RECOMMENDATION

At this time, it does not appear that the Berkeley Public Library will incur additional costs to fully implement the audit recommendations.

CURRENT SITUATION AND ITS EFFECTS

The Library agreed to report back to the Council six months after the July 13, 2004, City Council meeting. Since the Library has implemented or begun implementation on all of the audit recommendations, the City Council should have the opportunity to examine the audit implementation.

BACKGROUND

The Board of Library Trustees and the Director of Library Services requested that the City Auditor evaluate the effectiveness of the internal control structure over purchasing and accounts payable operations in the Library's Administration Division and the Order Unit, where library materials are ordered. The Board also requested the City Auditor to identify and evaluate the effectiveness of the Library's efforts to reduce workers' compensation claims at the Library.

The City Auditor presented the "Berkeley Public Library Purchasing and Accounts Payable Audit" report to the City Council as an information item on June 8, 2004. The audit report was moved to the City Council Action Calendar for July 13, 2004. The audit was briefly discussed at that time and the Council expressed an interest in getting further information on the audit implementation.

RATIONALE FOR RECOMMENDATION

This report gives the City Council the opportunity of receiving timely information about the implementation of the Berkeley Public Library Purchasing and Accounts Payable Audit.

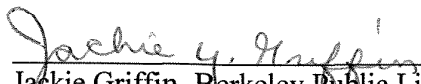
ALTERNATIVE ACTIONS CONSIDERED

The Library could wait until a later date to report back to the Council. However, since the audit recommendations have been almost completely implemented far ahead of schedule, it seems appropriate to send them to City Council at the earliest opportunity.

CONTACT PERSON

Jackie Griffin, Director of Library Services, (510) 981-6195

Approved:



Jackie Griffin, Berkeley Public Library

Attachments (3):

Attachment A

Attachment B

Attachment C

Berkeley Public Library Purchasing and Accounts Payable Audit Implementation Update

V. Findings and Recommendations – Administration Division

Finding 1: Lack of Segregation of Purchasing and Accounts Payable Duties in the Library Administration Division

Recommendations for the Library:

- 1.1 **Implemented 2/1/04.** Purchasing and accounts payable tasks will not be performed by the same employee.
- 1.2 **Implemented 2/1/04.** No employee is allowed to approve his/her own requisitions.
- 1.3 **Implemented 1/13/04.** Those that review and approve accounts payable work will not have authorization to review/approve their own work or change work they are reviewing.

Finding 2: Purchasing Procedures in the Library's Administration Division Do Not Provide For an Adequate Internal Control Structure

Recommendations for the Library:

- 2.1 **Implemented Beginning FY2005 (7/1/04)** on a six-month trial basis. Discontinue use of QuickBooks software for issuing purchase orders. Adopt the City's written policies and procedures, forms, etc, for making purchases and paying for them, by PO or voucher. After appropriate training, Library is now using the City FUNDS\$ system to issue purchase orders. The six-month trial is so that the Library staff can learn and trust the system, the ordering system can be refined and to verify that purchase orders can be processed in a timely manner. (See Attachment B: Memo from Sharon Thygesen.)
- 2.2 **Implemented Beginning FY 2005 (7/1/04).** Purchasing procedures have been updated. A blanket PO is being used when the purchaser plans to use the same vendor for multiple purchases.
- 2.3 **Implemented 2/1/04.** Supervisor approval is now required for all purchase requests.
- 2.4 **Implemented Beginning FY 2005 (7/1/04).** Supervisors and managers may not authorize their own purchase requests.
- 2.5 **Implemented 2/1/04.** Use of signature stamp has been discontinued.

- 2.6 **Implemented 1/1/04.** A current list of supervisors and managers authorized to approve purchase requests and the signatures of these individuals is now kept on file. A list, and signatures, of supervisors and managers authorized to approve invoices is also kept on file.
- 2.7 **Implemented 2/1/04.** Library Financial Manager now reviews AP documentation in the thorough manner that has been recommended.

VI. Findings and Recommendations – Order Unit

Finding 3: Library Material Expenditures in FUNDS and III Are Not Reconciled

Recommendation for the Library:

3. **Implemented 8/1/04.** The Financial Manager, with the appropriate report from Technical Services Manager, will reconcile expenditures in the III (library materials) and FUNDS system at least quarterly.

Finding 4: Ordering and Payment Procedures in the Order Unit Do Not Provide an Adequate Internal Control Structure

Recommendations for Library:

- 4.1 **Implemented 7/1/04.** The Order Unit will not accept order requests without the proper approval. Incorporate this policy and procedure into the written policies and procedures.
- 4.2 Partially **Implemented Beginning FY 2005 (7/1/04).** Library will retain “best vendor” selection documentation. Analysis will be done annually. The first interviews are in process with vendors in preparation for the bid process.
- 4.3 **Implemented with FY 2005 (7/1/04).** Appropriate supervisors will review III expenditures quarterly, including a review of all funds, as well as materials received and not yet received. These new policies and procedures have been incorporated into the written policies and procedures.
- 4.4 **Implemented with FY 2005 (7/1/04).** The Library’s AP Clerk in Library Administration will make all entries into FUNDS. The Technical Services Manager will sign off on work of the Order Unit Supervisor before it is transmitted to the Library’s AP Clerk for FUNDS entry. To insure that there are no other incompatible duties, the Technical Services Manager no longer has the ability to enter orders in III, print or send electronic PO’s or invoice materials (effective 5/31/04).
- 4.5 **Implementation date is 10/1/04.** A detailed policies and procedures manual for the Order Unit is currently being written. A draft outline was completed 7/1/04.

- 4.6 **Final implementation date is 10/1/04.** We are training a back-up person who can fill in for the Order Unit Supervisor. Training began 6/1/04.

Finding 5: Library Material Expenditures Are Not Being Properly Accounted For in FUNDS

Recommendation for the Library:

5. **Implemented with FY 2005 (7/1/04).** Library Financial Manager will make quarterly adjusting journal entries to allocate year-to-date library material expenditures to the proper FUNDS expenditure accounts. Technical Services Manager will provide monthly reports for him to work from.

Finding 6: Improper Use of Voucher Form

Recommendation for the Library:

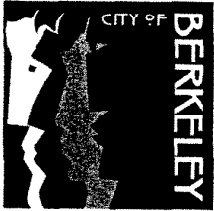
6. **Implemented 4/1/04.** Voucher form has been replaced with a new form that complies with the audit recommendation. It was explained that the “old” form had only been used as a cover for payment documentation.

VII. Findings and Recommendations – Employee Safety

Finding 7: Managers Are Not Held Sufficiently Responsible For the Safety of Their Staff

Recommendation for the Library:

7. **Implemented 3/1/04.** The Library instituted a “Be Safe in 2004” campaign. This campaign is designed to raise safety awareness. This includes managers making documented safety inspections and meeting with staff about safety issues. On-the-job injury reports are down 60% from the same time last year. In addition, the Library is converting to a new automated check-out system that will allow patrons to check out items they want to borrow. This will protect staff from repetitive motion injuries, (thereby reducing workers compensation claims), allow us to stabilize staff size and divert staff to other tasks. (See Attachment C: Memo from James Mason.)



Attachment B

**Finance Department
General Services Division**

9/1/04

To: Jackie Griffin

From: Sharon Thygesen *ST*

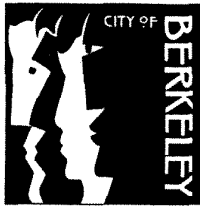
Subject: New Purchasing Procedures Implementation Update

The Library and the Finance Department (General Service Division) have been working closely together to implement the recommendation for new purchasing procedures as outlined in 2.1 of the "Berkeley Public Library Purchasing and Accounts Payable Audit."

Formal Training on the FUNDS\$ system was conducted by the General Services Division staff in June 2004 to prepare the Library staff to enter Purchase Requisitions for FY05. The training was well received by Library staff, and follow up questions were answered by General Services staff as Purchase Requisitions were entered into the system. Approximately 65 Purchase Requisitions as of 8/25/04 have been entered in the FUNDS\$ for FY05.

There has been an environment of cooperation and Library staff has been receptive to the changes to ensure compliance. The departments are working well together and to date the new procedures are working effectively. The Library and General Services staff has plans to meet as needed to ensure any issues are addressed in a timely manner.

cc: Fran David
Robert Derbin



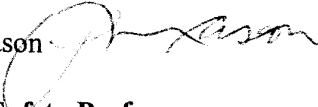
Attachment C

Human Resources Department
Labor Relations

MEMORANDUM

Date: September 2, 2004

To: Jackie Griffin

From: James Mason 

Subject: Library Safety Performance

I am happy to report to you that the efforts of your department in the areas of accident prevention and workers' compensation are showing significant success. I have attached a spreadsheet that reflects reductions in both number of injuries and cost per claim. The steady decrease in these areas are a graphic illustration that your program is effective. I have removed the employee names from this report so you can post it for your staff to see the fruit of their efforts.

According to a publication by the National Safety Council, there are three factors that affect employee attitude toward safety: Peer pressure to do the task safely and with regard for personal injuries; Incentive and deterrent measures if changing behavior is the goal and; Belief that management will spend the money and effort on the reengineering or redesign of tasks to minimize hazard potential. Your department has taken each of these and effectively applied them in a practical way. Through the development and implementation of your safety incentive programs, you have successfully shown employees that they are the single most important factor in safety and rewarded them for their positive participation and those divisions that have not performed up to your expectation have conversely not rewarded. Instead you have coached and guided them to better safety performance through inclusion. Your safety inspection program has demonstrated that you are serious about finding potential hazards and eliminating them.

In order to sustain this success, I recommend that management and supervision continue to conduct inspections and implement timely corrective actions. Actively involve staff members in the process in both inspection and finding solutions and rewarding them for their participation.

Special thanks should go to Larry Groce for his guidance, knowledge of safety and sincere dedication to excellence.

Cc: Dave Hodgkins
Larry Groce
Library File

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M=Medical
 Only O=Open
 I= Indemnity C= Closed

Name	DOI	Type	Status	Incurred	Paid	Reserves	Average Cost per Claim
	05/04/2000	M	C	\$0.00	\$0.00	\$0.00	
	08/19/2000	I	C	\$2,731.02	\$2,731.02	\$0.00	
	06/13/2000	I	C	\$2,768.67	\$2,768.67	\$0.00	
	08/03/2000	M	C	\$469.36	\$469.36	\$0.00	
	01/07/2000	I	C	\$748.94	\$748.94	\$0.00	
	03/06/2000	I	C	\$735.09	\$735.09	\$0.00	
	01/13/2000	M	C	\$1,269.72	\$1,269.72	\$0.00	
	04/25/2000	M	C	\$123.70	\$123.70	\$0.00	
	03/19/2000	I	C	\$1,270.89	\$1,270.89	\$0.00	
	04/19/2000	I	C	\$29,282.60	\$29,282.60	\$0.00	
	10/12/2000	M	C	\$0.00	\$0.00	\$0.00	
	06/17/2000	M	C	\$0.00	\$0.00	\$0.00	
	12/27/2000	M	C	\$209.13	\$209.13	\$0.00	
	04/12/2000	I	C	\$201.05	\$201.05	\$0.00	
	04/12/2000	I	O	\$52,734.76	\$46,609.89	\$6,124.87	
15			Totals	\$92,544.93	\$86,420.06	\$6,124.87	\$6,169.66

Name	DOI	Type	Status	Incurred	Paid	Reserves	Average Cost per Claim
	02/21/2001	M	C	\$1,289.35	\$1,289.35	\$0.00	
	09/20/2001	M	C	\$800.86	\$800.86	\$0.00	
	12/28/2001	I	C	\$0.00	\$0.00	\$0.00	
	03/28/2001	M	C	\$0.00	\$0.00	\$0.00	
	11/30/2001	I	O	\$93,705.08	\$70,138.98	\$23,566.10	
	03/22/2001	M	C	\$0.00	\$0.00	\$0.00	
	03/30/2001	M	C	\$0.00	\$0.00	\$0.00	
	09/07/2001	I	C	\$1,785.82	\$1,785.82	\$0.00	
	12/03/2001	M	C	\$0.00	\$0.00	\$0.00	
	04/05/2001	I	C	\$1,044.05	\$1,044.05	\$0.00	
	11/06/2001	M	C	\$0.00	\$0.00	\$0.00	
	11/07/2001	M	C	\$0.00	\$0.00	\$0.00	
	07/18/2001	M	C	\$2,924.19	\$2,924.19	\$0.00	
	10/01/2001	M	C	\$76.12	\$76.12	\$0.00	
	10/01/2001	M	C	\$880.87	\$880.87	\$0.00	
	09/29/2001	M	C	\$0.00	\$0.00	\$0.00	
	11/02/2001	M	C	\$0.00	\$0.00	\$0.00	
	04/19/2001	M	C	\$0.00	\$0.00	\$0.00	
	07/23/2001	M	C	\$0.00	\$0.00	\$0.00	
	11/20/2001	M	C	\$0.00	\$0.00	\$0.00	
	09/17/2001	M	C	\$149.15	\$149.15	\$0.00	
22				\$102,655.49	\$79,089.39	\$23,566.10	\$4,666.16

Name	DOI	Type	Status	Incurred	Paid	Reserves	Average Cost per Claim
	06/12/2002	M	C	\$0.00	\$0.00	\$0.00	
	08/07/2002	I	C	\$5,473.29	\$5,473.29	\$0.00	
	07/13/2002	I	C	\$2,199.29	\$2,199.29	\$0.00	
	03/04/2002	M	C	\$0.00	\$0.00	\$0.00	
	11/25/2002	M	C	\$0.00	\$0.00	\$0.00	
	01/16/2002	M	C	\$0.00	\$0.00	\$0.00	
	04/29/2002	M	C	\$82.25	\$82.25	\$0.00	
	03/29/2002	I	C	\$1,007.19	\$1,007.19	\$0.00	

01/06/2002	M	C	\$0.00	\$0.00	\$0.00	
04/15/2002	I	C	\$3,392.91	\$3,392.91	\$0.00	
01/24/2002	I	C	\$5,185.14	\$5,185.14	\$0.00	
10/15/2002	M	C	\$1,053.07	\$1,053.07	\$0.00	
04/10/2002	M	C	\$0.00	\$0.00	\$0.00	
03/25/2002	I	C	\$28,005.31	\$28,005.31	\$0.00	
09/09/2002	M	C	\$837.51	\$837.51	\$0.00	
03/07/2002	M	C	\$0.00	\$0.00	\$0.00	
08/10/2002	M	C	\$0.00	\$0.00	\$0.00	
02/15/2002	I	R	\$8,500.00	\$4,459.68	\$4,040.32	
08/30/2002	I	O	\$14,412.59	\$5,534.45	\$8,878.14	
03/25/2002	I	C	\$1,167.34	\$1,167.34	\$0.00	
10/01/2002	M	C	\$0.00	\$0.00	\$0.00	
05/31/2002	M	C	\$0.00	\$0.00	\$0.00	
08/17/2002	I	C	\$1,222.15	\$1,222.15	\$0.00	
23			\$72,538.04	\$59,619.58	\$12,918.46	\$3,153.83

Name	DOI	Type	Status	Incurred	Paid	Reserves	Average Cost per Claim
	06/20/2003	I	O	\$9,124.90	\$903.96	\$8,220.94	
	04/25/2003	I	C	\$0.00	\$0.00	\$0.00	
	05/07/2003	M	C	\$0.00	\$0.00	\$0.00	
	01/18/2003	M	C	\$0.00	\$0.00	\$0.00	
	08/12/2003	M	C	\$1,053.99	\$1,053.99	\$0.00	
	11/19/2003	I	O	\$7,475.12	\$1,412.27	\$6,062.85	
	01/21/2003	M	C	\$240.45	\$240.45	\$0.00	
	04/22/2003	M	C	\$165.47	\$165.47	\$0.00	
	06/05/2003	M	C	\$144.65	\$144.65	\$0.00	
	01/16/2003	M	C	\$150.00	\$150.00	\$0.00	
	01/13/2003	M	C	\$457.32	\$457.32	\$0.00	
	04/22/2003	M	C	\$0.00	\$0.00	\$0.00	
	04/07/2003	M	C	\$544.79	\$544.79	\$0.00	
	06/09/2003	M	C	\$0.00	\$0.00	\$0.00	
	04/23/2003	I	C	\$0.00	\$0.00	\$0.00	
	03/27/2003	I	O	\$19,086.32	\$7,417.27	\$11,669.05	
	12/04/2003	M	O	\$3,031.35	\$1,717.13	\$1,314.22	
	02/20/2003	M	C	\$0.00	\$0.00	\$0.00	
	08/29/2003	I	C	\$704.95	\$704.95	\$0.00	
19				\$42,179.31	\$14,912.25	\$27,267.06	\$2,219.96

Name	DOI	Type	Status	Incurred	Paid	Reserves	Average Cost per Claim
	04/16/2004	M	O	\$3,000.00	\$1,021.12	\$1,978.88	
	07/20/2004	M	O	\$1,000.00	\$0.00	\$1,000.00	
	08/06/2004	M	O	\$500.00	\$0.00	\$500.00	
	02/12/2004	M	C	\$0.00	\$0.00	\$0.00	
	03/29/2004	I	C	\$2,808.41	\$2,808.41	\$0.00	
	03/22/2004	M	C	\$0.00	\$0.00	\$0.00	
	02/07/2004	M	C	\$0.00	\$0.00	\$0.00	
	03/17/2004	I	C	\$63.55	\$63.55	\$0.00	
	07/09/2004	M	O	\$500.00	\$0.00	\$500.00	
9				\$7,871.96	\$3,893.08	\$3,978.88	\$874.66

