



Audit Report

***Riverside Public Library:
Donations, Trusts and Library Minor
Gift Fund***

February 2012

AU12-05

City Manager
Scott C. Barber

Internal Audit Manager
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Office of the City Manager
Internal Audit Division
Riverside, California



DATE: February 23, 2012

TO: SCOTT BARBER, CITY MANGER

FROM: CHERYL JOHANNES, INTERNAL AUDIT MANAGER

CC: TONYA KENNON, LIBRARY DIRECTOR
GREGORY PRIAMOS, CITY ATTORNEY
BELINDA GRAHAM, ASSISTANT CITY MANAGER
BRENT MASON, FINANCE DIRECTOR

RE: RIVERSIDE PUBLIC LIBRARY – USE OF DONATIONS, TRUSTS AND LIBRARY MINOR GIFT FUND

The attached report contains the results of our audit of the City Public Library's use of donations, trusts and Library Minor Gift funds (Funds 721 and 722 respectively). Our review focused on controls to ensure adequate monitoring and reporting of activity for donations, trusts and the Minor Gift Fund; and to determine if the funds are being spent, accounted for, budgeted, and approved appropriately.

Annual Library donations and existing trust funds are very important to funding ongoing operational needs of the Library. In FY 2009-10 and FY 2010-11 the department received \$400,443 and \$591,838 in combined donation and trust activity.

During our review we noted donations, trusts, and Library Minor Gift fund activity has not been reported to the City Council since 2004, which is in conflict with City Charter Section 808(f), requiring all donations to be approved by the City Council (effective 12/27/1995).

In addition, the Library Board of Trustees have the signatory authority over a Bank of America checking account that is funded by interest earned on six (6) City controlled trusts and one (1) trust controlled by the Riverside Community Foundation. The checking account is used to fund operating activities, such as buying new books. The activities in the checking account and the cash on hand at the end of every fiscal year are included in the City's Comprehensive Annual Financial Report (CAFR). The City Attorney's Office



concur with Internal Audit that control and responsibility for this checking account should be transferred to the City Treasurer. The City Charter requires that the City Treasurer have custody of all public funds belonging to or under the control of the City or any office, department or agency of City government.

It should be noted that the Library does not concur with our recommendation that expenditures relating to donation revenues recorded in the Minor Gift Fund (722) be made subsequent to a City Council approved supplemental appropriation. We encourage the Library staff to work with Finance to resolve this finding.

We appreciate the cooperation provided to us by the Library Director and staff who assisted us during the audit.

Please contact me for questions or comments on this report.

Respectfully,

Cheryl Johannes, Internal Audit Manager
951.826.5688

RECOMMENDATION SUMMARY

Riverside Public Library: Donation, Trust and Library Minor Gift Funds

#	Recommendation Text	Management Concurrence	Proposed Date
01.	Library Staff should submit quarterly financial activity reports to the City Council for approval. This measure will satisfy City Charter Section 808(f) requirement that all donations be approved by the City Council.	Concur	July 2012
02.	The practice of expending funds from the balance sheet (Fund 722) should be discontinued. In order to protect interest earned on the donation accounts in Fund 722, expenditures relating to donation revenues should be made subsequent to a City Council approved supplemental appropriation. By increasing various budgetary line items, funds can be correctly spent in accordance with the City Charter and Centralized Purchasing System.	Do Not Concur See Attachment C	July 2012
03.	Update applicable policies and procedures to ensure they reflect the requirement for the City Council to approve donations.	Concur	July 2012
04.	Update and/or create applicable policies and procedures to reflect policy changes made as a result of recommendations in this report.	Concur	July 2012
05.	Library Staff and the Board of Library Trustees should work with the Finance Division to close the Bank of America checking account. The funds in the checking account should be deposited with the City's Treasury and accounted for in a manner deemed appropriate by the Finance Division. This action will allow for funds to be subsequently appropriated to the Library's operating budget and be spent in accordance with the City Charter and Centralized Purchasing System.	Concur	July 2012
06.	Funds provided to the City pursuant to the Margaret Morgan and Mary Morgan Pedlow Memorial Fund should be deposited with the City Treasury and accounted for in a manner deemed appropriate by the Finance Division.	Concur	July 2012

RECOMMENDATION SUMMARY

Riverside Public Library: Donation, Trust and Library Minor Gift Funds

#	Recommendation Text	Management Concurrence	Proposed Date
07.	Library Staff should work with the Finance Division to correct debit balances in Fund 722 and GL Object/Account balances in other funds that are only to be accounted for in Fund 722.	Concur	July 2012
08.	Account activity in Fund 722, Library Minor Gift Fund, should be reviewed/reconciled by Library staff on a quarterly basis; any corrections needed should be sent to the Finance Division.	Concur	July 2012
09.	<i>Microfiche/Film Coin Box (GL Object 225452)</i> operating revenues should be accounted for in the annual budget. As these revenues are used to offset the cost of maintaining the microfiche equipment, the Library Department should request annual maintenance expenditures be increased by the estimated yearly maintenance costs for these machines.	Concur	July 2012

REPORT SUMMARY

The Library Department for the City of Riverside accepts donations from the public. In conjunction with the Friends of the Library, Riverside Library Foundation, existing trust funds and miscellaneous donations from the public, the department is able to fund operating needs that would go unfunded. In FY 2009-10 and FY 2010-11 the department received \$400,443 and \$591,838 in combined donation and trust activity.

During our review of the Library's donations, trusts, and Library Minor Gift Fund, we found the controls over the use of funds to be adequate. We also found that the Library Department has very thorough, well-written, policies and procedures relating to the acceptance and use of donation/trust funds.

However, during our review we noted donations, trusts, and Library Minor Gift Fund activity has not been reported to the City Council since 2004 and appears to be in conflict with City Charter Section 808(f), which requires all donations to be approved by the City Council (effective 12/27/1995). The Department's policies and procedures do not acknowledge this requirement.

Internal Audit recommends Library Staff submit quarterly financial activity reports to the City Council for approval. Furthermore, the practice of spending funds from the balance sheet (Library Minor Gift Fund - Fund 722) should be discontinued immediately. In order to protect interest earned on the donation accounts in the Library Minor Gift Fund, the payment of expenditures relating to donation revenues should be approved in concert with a City Council approved supplemental appropriation. By increasing various budgetary line items, funds can be correctly spent in accordance with the City Charter and Centralized Purchasing Code. Internal Audit also recommends some minor accounting clean-up and on-going monitoring of the Library Minor Gift Fund.

The Library Board of Trustees has the signatory authority over a Bank of America checking account that is funded by interest earned on six (6) City controlled trusts and one (1) trust controlled by the Riverside Community Foundation. The checking account is used to fund operating activities, such as buying new books. The activities in the checking account and the cash on hand at the end of every fiscal year are included in the City's Comprehensive Annual Financial Report (CAFR). Since the use of these funds is not accounted for in the City's Financial Management System, IFAS, the Finance Division accounts for the activity each year on a financial statement level¹.

The Library may have the ability to side-step the City's Centralized Purchasing System by not receiving formal and information bids in compliance with the City's Purchasing Policies for certain purchases². Resolution 21182 allows for exceptions to the competitive procurement process to the Library Department for, "...books, journals, maps, publications, and other supplies peculiar to the needs of the library."³ However, since the money spent from the checking account is not reviewed by the Finance

¹ Library Special Permanent Fund – Non-major Governmental Funds: Combining Balance Sheet and Combining Statement of Revenue, Expenditures, and Changes in Fund Balances.

² City's Administrative Manual: Chapter 7, Purchasing and Contracting,

³ Resolution 21182 – Section 201(k)

Division until year end, the possibility exists for purchases to be made that are “non-peculiar” to the Library.

Internal Audit recommends the Bank of America checking account be closed as soon as possible. Further, Internal Audit recommends these funds be accounted for in an ongoing basis similar to those in the Library Minor Gift Fund. We do not believe there has been any fraudulent account activity, and Library staff has kept excellent records on the use of the account. In addition, Internal Audit did not find any purchases made that would violate the competitive procurement exemption in Resolution 21182. However, due to the small size of the department, and atypical use a checking account not controlled by the City Treasurer, the risk of inappropriate activity is not offset by sufficient internal controls.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

Our audit objectives were to:

- Determine if current donation policies and procedures are effective and efficient;
- Determine if appropriate controls are in place to adequately monitor and report the activity of the donation, trust and Minor Gift Fund; and
- Determine if the trust and donation funds are being spent, accounted for, budgeted, and approved appropriately.

Scope and Methodology

The review was conducted during the period from December 2011 to January 2012, and addressed the Department's use of donation and trust funds. To address audit objectives and as part of our assessment of risk, we:

- ❑ Compared Riverside Public Library's use of donation, trust, and Library Minor Gift funds with the City of Riverside Charter, Municipal Code, and other applicable guidance (e.g. City Council Actions, City Attorney Opinion's, department policies, etc.);
- ❑ Interviewed staff from the Finance Division of the City Manager's Office regarding the current and historical use of Library donation, trust, and Library Minor Gift Funds;
- ❑ Interviewed Riverside Public Library staff and reviewed internal documents pursuant to the use of donation, trust, and Library Minor Gift Funds;
- ❑ Reviewed IFAS⁴ General Ledger detail for the Riverside Public Library donation, trust, and Library Minor Gift Fund from July 2010 to December 2011;
- ❑ Compared Riverside Public Library budgeted expenditures to actual activity for FY 2009-10 and FY 2010-11; and
- ❑ Met with the City Attorney's Office to address related issues as they arose.

Our review was conducted in accordance with *Generally Accepted Government Auditing Standards* and according to the *Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors. Those standards require that the audit is planned and performed to afford a reasonable basis for judgments and conclusions regarding the department, division, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe our audit provides a reasonable basis for our conclusions.

The following key documents were used in our review:

- City Charter
- IFAS GL Trail Balance Reports
- Applicable City Council Minutes
- Applicable Bank Statements
- Applicable Journal Entries
- Library Trust Funds Draft Opinion (File No. CA01-835)

⁴ City's financial management software.

- Library Policies and Procedures
 - I-B-06: Policy on Gifts and Memorials
 - IV-C: Friends of the Library Revenue
 - IV-D: Gift Funds
 - IX-A: Donations to the Library
 - IX-A-01: General Gifts – Book san other Library Materials
 - IX-A-02: Gifts Requiring Special Handling (A/74)
 - IX-A-03: Donations of Cash for Library Materials
 - IX-A-04: Accepting Donations to Supplement Staffing
 - IX-A-05: Endowed Collections Policy
 - IX-B-01: General Gift Receipts (A/72)
 - IX-B-03: Special Gift Receipts (A/74)
 - IX-B-05: Public Donations to the Library

BACKGROUND

According to City Charter Section 808(f)⁵, the Board of Library Trustees (Library Board) may, “accept money, personal property or real estate donated to the City for library purposes, subject to the approval of the City Council.” According to staff at the Riverside Public Library (Library), trusts and donations are accounted for in *Fund 721 – Interest Bearing Special Deposits* and *Fund 722 – Library Minor Gift Fund*.

Trust Funds

Those funds in Fund 721 are accounted for in two GL Objects (225260 and 225270) and represent a series of six (6) trust accounts⁶, which range in age from 56 to 89 years old. Historically, these funds were kept in a separate Bank of America investment account. In December 2003, these funds were transferred to the City’s investment portfolio pursuant to a Library Trust Funds Draft Opinion (File No. : CA01-835). In January 2002, the City Attorney’s Office generally opined that in order to be handled legally, all Library Trust Fund must be handled in accordance with state law and the Riverside City Charter. Specifically, the funds were determined “to be public funds belonging to or under the control of the City or any office, department or agency of the City government.” As such, these funds must comply with the Investment Policy of the City as adopted annually by Resolution.

Each year, interest earned on the six (6) trusts accounted for in Fund 721 is sent via wire transfer to a Bank of America checking account⁷ controlled by the Library Board. The wire transfer is requested by Library staff through a *Request of Wire Transfer*, and approved by the Finance Division. The amount of interest transferred in FY 2009-10 was \$0.00 and in FY 2010-11 the amount was \$236,035⁸ on a balance of over \$1.4 million.

The Library Board has signatory authority over a Bank of America checking account. The three (3) signees of the checking account are the President, Vice President, and Secretary. Two of the three signatures are needed to issue a check. One Library staff member (Sr. Account Clerk) performs administrative function with the account (reconcile/receive bank statements, inquire about balances, make deposits, prepare checks for signature, etc.), but may not issue/write checks or withdraw funds.

Activity in the Bank of America checking account is recorded by Library staff in QuickBooks; with various reports created in Excel and Access. Each month the staff prepares a bank reconciliation; the June bank reconciliation each year is submitted to the Finance Division. In addition to recording actual activity, Library staff budgets for the amount of revenue they are going to receive on a grant by grant basis. Since each grant has various allowable activities, budgeting by grant allows for staff to determine what costs can be allocated to which trust accounts.

⁵ Attachment A

⁶ Ethan Allen Chase Fund (1912), John Correja Memorial Fund (1920), Dorothy Daniels Memorial Fund (1921), Myra Finton Fund (1942), Hartman Trust Fund (1955), and Frank A. Miller Fund (1947).

⁷ Per June 2011 Bank Statements, account was established in 1971.

⁸ Historically, the allocated interest to the Bank of America checking account was done annually. However, the interest allocation was not done for FY 2009-10. As such, both allocations were done at the end of FY 2010-11 for FY 2009-10 and FY 2010-11 (AJ5093-Wire Transfer).

As previously noted, the Finance Division receives the reconciliation of the Bank of America checking account information from the Library Department. The reconciliation is then reviewed by staff and used in the creation of a CAFR Only Adjusting Journal Entry (AJE) to record the activity at the financial statement level. As such, the activity of the bank account is not recorded in the City's financial system, IFAS. The activity of the Fund 721 can be found on the Combining State of Revenue, Expenditures, and Changes in Fund Balance for the Non-major Government Funds.⁹

Donations to the Library also include a seventh (7th) trust fund. The Margaret Morgan and Mary Morgan Pedlow Memorial Fund was established in 1984. The trust fund is controlled by the Riverside Community Foundation. Each Year the foundation sends a check to the Library Board pursuant to the trust guidelines. These funds are deposited directly to the Bank of America checking account. As previously mentioned the activity in the bank account is reconciled monthly by Library staff. As such, the activity from this trust is included in the financial statement journal entry performed by the Finance Division. As of FY 2010-11, the checking account has a balance of approximately \$189,000. During FY 2010-11, approximately \$89,000 was deposited into the account and \$137,000 was expended.

Library staff brings forward a report to the Library Board notifying them when they receive trust funds and a separate report when they are requesting to spend the funds. For more than 15 years, information regarding financial activity of the trust funds accounted for in Fund 721 does not appear to have been taken to the City Council.

To ensure funds are being spent in accordance with the requirements of each trust, Library staff uses a manual created in 1983¹⁰ written by a former Library Director, titled *Handbook on Special Funds*. Staff also has updated policies and procedures relating to the spending of trust, donation and Minor Gift Funds available for view on the Intranet.

Library Minor Gift Fund/Donations

Fund 722, Library Minor Gift Fund, was established by the City Council on June 14, 1994. According to meeting minutes¹¹, the City Council:

- (1) Approved the transfer of the Library's Gift Fund in its entirety to the City Library Gift Fund 722, as outlined in the attachment to the staff report, effective immediately;
- (2) Approved the depositing of donations and the making of expenditures from the new fund on an as-needed basis; and
- (3) Instructed the Library Director to report to the Board of Library Trustees all donation and expenditures affecting this fund on a quarterly basis beginning July 25, 1994.

⁹ Activity for FY 2010-11 can be found on page 66 of the City's Comprehensive Annual Financial Report – Year Ended June 30, 2011 (Permanent Fund – Library Special). The Library Special Permanent Fund is accounted for in the general ledger in fund 721 (objects 225260/225270). In the CAFR this cash is pulled out and accounted for as a stand-alone fund. Total cash for the Library Fund amounted to \$1,624,987 as of June 30, 2011, which included \$189,141 of cash not accounted for in the city's general ledger.

¹⁰ *Handbook on Special Funds* was amended in 1984 to include a section on the Margaret Morgan and Mary Morgan Pedlow Memorial Fund

¹¹ Internal Audit could not locate complete agenda item; only City Council minutes could be found.

Approximately 18 months later¹², the City's Charter was updated. New language in Charter Section 808, Board of Library Trustees stated:

- (d) Purchase and acquire books, journals, maps, publications and other supplies peculiar to the needs of the library, subject, however, to the limitations of the budget for such purposes. The expenditure and disbursement of funds for such purchases shall be made and approved as elsewhere in this Charter provided.
- (f) Accept money, personal property or real estate donated to the City for library purposes, subject to the approval of the City Council.

According to the City Attorney's Office, actions taken by the City Council in 1994 pursuant to the authority of the Library Board of Trustees to expend and deposit funds that conflict with the subsequent City Charter update, become null and void. Specifically, it appears the City Council must approve the acceptance of donations, and the expenditures must be made in accordance to established purchasing policies and procedures¹³

Based on information in the City's Clerk's Laser fiche archives, Library staff brought quarterly financial reports before the City Council detailing the activity in the Minor Gift Fund from 1994 to 2004. Current Library staff is unaware of the decision of previous administrations to stop bringing the reports to the City Council. However, based on minutes and back-up from the Library Board Meetings, Library staff is notifying the Library Board of receipt of funds for certain donations deposited into the Library Minor Gift Fund.

As previously noted the Library Department has well written and informative policies and procedures of the receipt and use of donations. Per review of these donations, it does not appear they include a provision for the approval of donations by the City Council.

Financial Impact

Total donation and trust account activity is material to the Library Department Budget. These funds represent approximately 8% to 10% of the Department's annual operating budget. See *Attachment B* for detailed budgetary information.

¹² City of Riverside Charter Section 808 was updated on 12/27/1995; *Attachment A*

¹³ **Article VI – City Manager**; *Section 601(e)* and **Article XI – Fiscal Administration**; *Section 1104. – Appropriations; transfer of funds, Section 1105 – Centralized purchasing, and Section 1110 – Cash Management. Title 3 – Revenue and Finance: Chapter 3.16 – Centralized Purchasing System*

FINDINGS & RECOMMENDATIONS

Finding #1: The Library is not in compliance with City Charter Section 808(f), which requires all donations be approved by the City Council. Donation funds are expended without being approved by Council as supplemental appropriations.

The Board of Library Trustees (Library Board) approves expenditures relating to the use of trust funds accounted for in a Bank of America checking account and expenditures from Fund 722, Library Minor Gift Fund. Based on Library Board minutes, it also appears they approve/acknowledge donations received in the Library Minor Gift Fund (Friends of the Library and Library Foundation) and Bank of America checking account (Riverside Community Foundation and wire transfers from Fund 721) over \$1,000. However, it does not appear approval for receipt or expenditure of these monies relating to trust and donations are taken to the City Council for approval.

From 1994 to 2004 Internal Audit found evidence that quarterly reports were taken to the City Council. During our research on Library Department donation and trust accounts, we found City Council minutes from 1994 authorizing the 722 Gift Fund to be created and for the Library Board to approve use of these funds. However, in late 1995, Charter Section 808 was added/amended, requiring approval of donation by the City Council. Per conversations with the City Attorney's Office, any provisions of the City Council action from 1994 that would be counter to the Charter language would become null and void. Furthermore, we found evidence that the Library staff was under the same impression until 2004, when the quarterly reports stopped being taken to the City Council for approval. Current staff was not aware of reasoning behind the stoppage of City Council approval for donations.

During our review we did not find evidence that activity related to the six (6) trust funds accounted in Fund 721 or related interest allocations from the trust funds to the Bank of America checking account were approved by the City Council. Recommendations to the checking account can be found in *Management Comment #1*.

In general, per our review of Library polices, including *Donations of Cash (IX-A-03) and Policy of Gifts and Memorials (I-B-06)* , we noted the omission of the City Charter Section 808(f) requirement for all donations to ultimately be approved by the City Council.

Recommendation(s)

- **Library Staff should submit quarterly financial activity reports to the City Council for approval. This measure will satisfy City Charter Section 808(f) requirement that all donations be approved by the City Council.**
- **The practice of expending funds from the balance sheet (Fund 722) should be discontinued. In order to protect interest earned on the donation accounts in Fund 722, expenditures relating to donation revenues should be made subsequent to a City Council approved supplemental appropriation. By increasing various budgetary line items, funds can be correctly spent in accordance with the City Charter and Centralized Purchasing System.**
- **Update applicable policies and procedures to ensure they reflect the requirement for the City Council to approve donations.**
- **Update and/or create applicable policies and procedures to reflect policy changes made as a result of recommendations in this report.**

Management's Response

See Attachment C

MANAGEMENT COMMENTS

During the course of this review Internal Audit observed the following three (3) scenarios that do not require a response by Library staff, but is important to our review of the Riverside Public Library's donation, trust, and Library Minor Gift Funds.

Management Comment # 1: Various provisions of the Centralized Purchasing Policy (MC Chapter 3.16) may be easily avoided with the use on an external checking account.

The Library Board of Trustees controls a Bank of America Checking account that is funded by interest earned on six (6) City controlled trusts and one (1) trust controlled by the Riverside Community foundations. The checking account is used to fund operating activities, such as buying new books. The activities in the checking account and the cash on hand at the end of every fiscal year are included in the City's Comprehensive Annual Financial Report (CAFR). Since the use of these funds is not accounted for in the City's Financial Management System, IFAS, the Finance Division accounts for the activity each year on a financial statement level.

There is a high risk the Library may have the ability to side-step the City's Centralized Purchasing System by not receiving formal and information bids in compliance with the City's Purchasing Policies for certain purchases. Resolution 21182 allows for exceptions to the competitive procurement process to the Library Department for, "...books, journals, maps, publications, and other supplies peculiar to the needs of the library." However, since the money spent in the checking account is not reviewed by the Finance Division, until year end, the risk for purchases that are "non-peculiar" to the Library is high.

Recommendation

- **Library Staff and the Board of Library Trustees should work with the Finance Division to close the Bank of America checking account. The funds in the checking account should be deposited with the City's Treasury and accounted for in a manner deemed appropriate by the Finance Division. This action will allow for funds to be subsequently appropriated to the Library's operating budget and be spent in accordance with the City Charter and Centralized Purchasing System.**
- **Funds provided to the City pursuant to the Margaret Morgan and Mary Morgan Pedlow Memorial Fund should be deposited with the City Treasury and accounted for in a manner deemed appropriate by the Finance Division.**

Management Comment # 2: GL Objects that are only to be accounted for in Fund 722, Minor Gift Fund, have been used in other Funds.¹⁴

During our review of the Library Minor Trust Fund, Internal Audit noted liability GL Objects that should only apply to Fund 722 were located in other funds. Based on reviews of other City Department's donation/trust/deposit accounts, Internal Audit noted the City's financial management software, IFAS, allows any GL Key to be matched/tied to any GL Object. For example, when a fund (e.g. 720) and GL Key (e.g. 0000720) have been established, a department may charge, journal, etc. any GL Object (e.g. 225402) to that GL Key; regardless if it is appropriate to do so.

During our review, Internal Audit also noted that various GL Objects in the Library Minor Gift Fund, Fund 722, had a debit (negative) balances that should not exist.

Recommendation

- **Library Staff should work with the Finance Division to correct debit balances in Fund 722 and GL Object/Account balances in other funds that are only to be accounted for in Fund 722.**
- **Account activity in Fund 722, Library Minor Gift Fund, should be reviewed/reconciled by Library staff on a quarterly basis; any corrections needed should be sent to the Finance Division.**

Management Comment # 3: All Library operating revenues should be account for in the City's annual budget.

During our review of the Library Minor Gift Fund, Internal Audit noted GL *Object 225452, Microfiche/Film Coin Box*, revenue was associated with use of the microfiche machines at the library locations. This operating revenue is deposited into the Library Minor Trust Fund, and expenses associated with fixing the microfiche equipment are spent from these funds.

Recommendation

- ***Microfiche/Film Coin Box (GL Object 225452)* operating revenues should be accounted for in the annual budget. As these revenues are used to offset the cost of maintaining the microfiche equipment, the Library Department should request annual maintenance expenditures be increased by the estimated yearly maintenance costs for these machines.**

¹⁴ Once this was brought to the attention of Library staff, they worked with the Finance Division to correct the issue. JE00049568, effective December 31, 2011, corrected the issues noted in this Management Comment.

ATTACHMENT A: Charter Section 808

Section 808. Board of Library Trustees.

There shall be a Board of Library Trustees, which shall have the power and duty to:

(a) Have charge of the administration of City libraries and make and enforce such bylaws, rules and regulations as may be necessary therefor.

(b) Designate its own secretary.

(c) Consider the annual budget for library purposes during the process of its preparation and make recommendations with respect thereto to the City Council and the City Manager.

(d) Purchase and acquire books, journals, maps, publications and other supplies peculiar to the needs of the library, subject, however, to the limitations of the budget for such purposes. The expenditure and disbursement of funds for such purchases shall be made and approved as elsewhere in this Charter provided.

(e) Approve or disapprove the appointment, suspension or removal of the librarian, who shall be the department head.

(f) Accept money, personal property or real estate donated to the City for library purposes, subject to the approval of the City Council.

(g) Contract with schools, County or other governmental agencies to render or receive library services or facilities, subject to the approval of the City Council.

(Effective 12/27/1995)

ATTACHMENT B: Library Budget and Funding Sources

Funding Sources per Adopted Budget	FY 2009-10	FY 2010-11	FY 2011-12
GF/Capital Subsidy	\$ 5,480,558.00	\$ 5,143,188	\$ 5,840,959
Measure C	\$ 1,359,000.00	\$ 1,417,000	\$ 1,427,000
Charges for Services	\$ 50,800.00	\$ 86,500	\$ 70,000
Library Fines	\$ 220,000.00	\$ 220,000	\$ 190,000
Total Budget	\$ 7,110,358	\$ 6,866,688	\$ 7,527,959
Other Funding Sources	FY 2009-10	FY 2010-11	FY 2011-12¹⁵
<i>Interest Income: Chase, Correja, Daniels, Finton, Hartman, Miller Trust Funds</i>	\$ 0 ¹⁶	\$ 236,035 ¹⁶	\$ 118,018
<i>Pedlow Trust</i>	\$ 96,620	\$ 88,700	\$ 92,660
<i>Friends of the Library</i>	\$ 46,079	\$ 67,510	\$ 56,795
<i>Library System</i>	\$ 139,434	\$ 133,837	\$ 136,636
<i>Community Foundation</i>	\$ 80,000	\$ 28,675	\$ 54,338
<i>Interest Income: Library Minor Gift Fund</i>	\$ 25,680	\$ 23,940	\$ 24,810
<i>Other Library Minor Gift Fund</i>	\$ 12,073	\$ 12,561	\$ 12,317
<i>Microfiche Revenue</i>	\$ 557	\$ 580	\$ 569
Total Other Funding Sources	\$ 400,443	\$ 591,838	\$ 496,140
Grand Total of Funding Sources	\$ 7,510,801	\$ 7,458,526	\$ 8,024,099

<i>Percentage of Other vs. Adopted Budget</i>	5.63%	8.62%	6.59%
<i>Percentage of Operating Budget</i>	5.48%	11.44%	9.05%

Sources: FY 2011/12 Adopted Budget, IFAS Trial Balance Reports, and Bank of America checking account statements.

¹⁵ Amounts represent averages of FY 2009-10 and FY 2010-11 actuals

¹⁶ Interest earned from the six (6) trust accounts accounted for in Fund 721 -Object 225260 & 225270, is allocated to the Bank of America Checking Account controlled by the Board of Library Trustees via wire transfer. Library staff did not request a wire transfer in FY 2009-10. As such, the wire transfer for FY 2010-11 represents two (2) years' worth of interest income.

ATTACHMENT C: Riverside Public Library Audit Response

Riverside Public Library Trusts and Library Minor Gift Fund Donations

Library Narrative in Opposition to Recommendation # 2

The Riverside Public Library receives monetary donations from outside sources and deposits these funds into what is known as the "Library Minor Gift Fund." This Fund, also known as the 722 fund, was established by City Council to facilitate the deposit and expenditure of donated funds on an as-needed basis. The Library Director was to report all donations and expenditures to the Library Board of Trustees on a quarterly basis beginning July 25, 1994.

Due to the City Charter update in 1995, the Library was now required to report all donations into the 722 Fund to City Council. As found in the audit report, this practice has not been followed since 2004. As stated in Audit Recommendations #1, The Library agrees to reinstate quarterly reporting to City Council for approval as required by the City Charter.

The Library does not agree with Audit Recommendation #2 which states: *"the practice of expending funds from the balance sheet (Fund 722) should be discontinued. In order to protect interest earned on the donation accounts in Fund 722, expenditures relating to donation revenues should be made subsequent to a City Council approved supplemental appropriation. By increasing various budgetary line items, funds can be correctly spent in accordance with the City Charter and Centralized Purchasing System."*

Reasons for opposition:

1. The library practice of deposit and direct expenditure of funds from the 722 fund allows the library to spend funds in a timely and efficient manner.
2. 722 Fund expenditures are currently processed through the Centralized Purchasing System and tracked in IFAS.
3. Processing a supplemental appropriation for City Council approval, will cause significant delay in use of donated funds as well as significant added staff processing workload, by both Library and finance personnel.
4. Implementation of Recommendation # 2 will impede Library's ability to process timely expenditures for programming opportunities that may arise on a frequent and unplanned basis.
5. Including private donations (722 Fund) to Library Budget is not appropriate. As accepted by City Council, "library donations are intended to supplement, not supplant City budget funds."