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Internal Auditor's Report

The County Council and County Executive of Wicomico County, Maryland:

Pursuant to Section 305(D) of the Wicomico County Code and Council Resolution No. 120-2015, the Office of the Internal Auditor (IA) has conducted an Audit of the Wicomico County Library cash handling program and information security. A report is submitted herewith. The purpose of the audit was to determine the adequacy of procedures and controls along with the level of compliance with those procedures and controls for the process of maintaining the security of electronic information and handling of cash.

IA conducted the audit with due professional care, and IA planned and performed the audit to obtain reasonable assurance about whether the current Library practices comply with applicable policies and procedures and to determine if those policies and procedures are adequate to obtain an acceptable level of control.

IA extends our appreciation to Management and Staff from the Wicomico County Public Library and County Information Technology for their timely assistance, cooperation, and candid assessment of the selected Library systems.

Respectfully submitted,

J. Stephen Roser, CPA
Internal Auditor

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Audit Report

Background

Wicomico County Library Cash

The cash handled by the Library on a daily basis takes place at five locations:

- The Bookmobile
- Centre at Salisbury branch location
- Pittsville branch location
- Main Library
- Bookstore located at the Main Library

Total revenue for the Library for FY 2015 was $2.6m. The cash portion, as represented by charges for services, is very small in comparison:

Library Financials (Revenue Portion)

	FY2015		FY2014	
County and State appropriations	$ 2,090,660	77.67%	$ 1,995,865	79.16%
Charges for services	**$ 183,634**	**6.82%**	**$ 179,837**	**7.13%**
Grants and contributions	$ 416,910	15.49%	$ 344,995	13.68%
Interest	$ 485	0.02%	$ 533	0.02%
Total	$ 2,691,689	100.00%	$ 2,521,230	100.00%

It is important to keep in mind that any internal control regimen must consider the scope (in this case dollar amount) along with available resources including human resources. Library cash, although not immaterial, is a very small portion of total revenue at 7%.

Wicomico Library Information Systems

The Library employs two different types of information systems:

1. Public access computer system
2. Staff computer system

The public access system exists for public benefit. It handles the circulation, loaning, and processing of library materials. Currently, there is no mechanism for making changes to the public system. Additionally, the Library is searching for a replacement public access system. We consider the public access system outside the scope of the current audit. The Library's staff computer system controls the day-to-day operations. Accounting for cash occurs through a QuickBooks program.

Audit Objective

The objectives of the audit were to:

1. Assure that internal controls are in place for handling cash
2. Evaluate compliance with those controls
3. Review Internet Technology procedures and related security

Scope of the Audit

Objectives and methodology were adjusted as information was gathered. The audit period examined on a test basis was FY 2015 to date. The Scope was open ended. Observations, questionnaires, and inquiries with appropriate personnel were conducted, as well as examination of various documents (subject to change based on preliminary surveys and interviews) pertaining to the following:

- Mapping of internal controls for the handling of cash
- Bank reconciliations and other records
- Computer security systems
- Computer accounting systems
- Other accounting systems
- Financial statements

Conclusion

Based on evidence gathered, and interviews performed pursuant to the Library Cash and Information Security Audit, IA is of the opinion that cash and information security controls and adherence thereto are presently at a satisfactory[1] level.

Schedule of Findings and Recommendations

The findings listed below represent some key issues that bear discussion as an added feature to the audit process. The findings are both positive and negative, and they do not rise to the level of concern that significant deficiencies or material weakness would garner.

Signoffs

IA discovered, through interviews and document review, that the Library has extensive controls in place for handling cash. Cash handling protocols are detailed written procedures created specifically for each of the locations. IA reviewed reports and documentation required by the procedures including:

- Daily cash reports
- Bank reconciliations
- Weekly register receipts
- Journal entries

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[1] For the purposes of this audit, IA uses a three-tier grading system recommended by the International Professional Practices Framework (IPPF) as expressed by the IPPF Practice Guide issued March 2009. The three tiers are Inadequate System of Internal Control, Adequate System of Internal Control, and Satisfactory System of Internal Control. Satisfactory findings indicate that overall controls are satisfactory, although some enhancements may be recommended. It is the highest rating on the scale.

We noticed that a few of the documents were missing signoffs. We recommend a management and personnel review signoffs.[2]

Separation of Duties

Library cash handling procedures revealed robust separation of duties. IA recommends separation of bank reconciliation and adjusting journal entries if staffing levels permit.

IT Performance

Interviews and questionnaires completed by Library IT revealed a very carefully designed system of internal controls. Controls in place include:

- Continuous cloud backups
- Segregated wireless networks
- Secured and licensed drop-box system
- Antivirus
- Lo-jack (for locating missing components)

Twenty percent of the Library components are Mac, fifteen percent are Linux, and the balance is Microsoft. Library IT recommends Mac replacements because they are of the opinion that the longevity and security of Mac products outweigh the costs. We were provided a detailed diagram of the virtual system employed by the Library. Additionally, IT is responsible for asset tracking and has a robust system on place. IA recommends a requirement to change passwords on a regular basis and the inclusion of language in protocols prohibiting the sharing of passwords.

Auditor's Closing Remark

The Wicomico County Office of the Internal Auditor would like to thank management and staff from the Wicomico county Public Library and County Information Technology for their timely cooperation and assistance during the audit.

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[2] Please note that some of the documents reviewed may have been in the midst of the review process and had not yet been signed