



To: Jeff Scott, Library Director

From: Katelyn Kleidosty, Internal Audit Manager
kkleidosty@washoecounty.gov; (775) 830-2550
Louis Martensen, Internal Auditor
lmartensen@washoecounty.gov; (775) 997-1791

CC: Stacy McKenzie, Assistant Library Director
Justin Taylor, Washoe County Treasurer
Maggie Lazzari, Principal Account Clerk

Date: December 1, 2024

Subject: Cash Control Audit – Washoe County Library FY 2025

The Audit Committee and the Board of County Commissioners (BCC) approved audit schedule, which included cash control audits for a small number of departments or divisions, selected by the Internal Audit Division, to be completed during fiscal year 2025. The processes and procedures for the selected departments or divisions regarding cash handling would be reviewed. The Internal Audit Division also has the obligation to make recommendations for improvements based on observations during fieldwork.

The Washoe County Library (WCL) was selected for a cash control audit for fiscal year 2025. The purpose of this audit is to determine if proper adherence to internal policies and procedures, Washoe County Code, and leading best practices were followed when employees in WCL are handling cash transactions. The scope included a review of how the cash flows from transaction to ending deposit at the bank, interviews with relevant personnel, and a review of transactions and supporting information for the period of FY2025.

A risk-based approach was utilized when selecting and completing the physical cash counts, interviews with relevant personnel, and a review of transaction and supporting information. The following was reviewed:

- Written policies and procedures related to cash handling were examined and discussed with personnel in WCL.
- An observation and interview with employees who handle cash was completed at the following locations:
 - Downtown Reno Library
 - North Valleys Library
 - Northwest Reno Library
 - Senior Center Library
 - Sierra View Library
 - South Valleys Library

- Spanish Springs Library
 - Sparks Library
-
- Deposit procedures were observed and documentation was examined on October 23, 2024 at the Downtown Reno Library location.

After observations and interviews with WCL staff, the Internal Audit Division recommends the following measures to strengthen internal controls over cash handling:

All Locations

1. Secure Storage of Cash and Drawer Key

- **Finding:** While cash is locked in a drawer or cabinet at the end of the night, the key is stored in an unsecured location nearby, increasing the risk of unauthorized access.
- **Recommendation:** Relocate the key to a secure and separate location, such as a locked key box accessible only to limited, authorized personnel. Document access to the key to enhance security and minimize the risk of theft.

2. Retention of Cash Register Receipt Tapes

- **Finding:** Filled cash register receipt tapes are not consistently sent to a secure location for retention, potentially leading to gaps in financial records and noncompliance with record retention policies.
- **Recommendation:** Establish a procedure to send filled cash register receipt tapes to the Administration Office at the Downtown Reno location for secure storage. Retain these tapes for the period required by record retention regulations to ensure compliance and maintain a complete financial audit trail. Per Nevada State Library, Archives, and Public Records cash register tapes must be retained until the resolution of an annual audit.

3. Donation Box Handling

- **Finding:** Donations are collected and entered into the register by a single individual, creating risk of errors or theft.
- **Recommendation:** Require dual control for donation box handling, with two employees recording and signing off on all donations before they are entered.

4. Money Bag Key Storage

- **Finding:** The key for the money bags is kept in unsecured locations at the library branches, increasing the risk of unauthorized access.
- **Recommendation:** Store the key in a secure, locked area with access restricted to limited, authorized personnel, and keep a log of key access to reduce potential theft.

5. Void Key Accessibility

- **Finding:** The void key is stored in the cash register drawer, accessible to all employees, increasing the risk of unauthorized voids.
- **Recommendation:** Limit void key access to supervisory staff and implement a log of all voided transactions for management review.

6. End-of-Shift Cash Counting

- **Finding:** Cash is not counted at the end of shifts but instead the next day, making it difficult to identify discrepancies promptly.
- **Recommendation:** Require end-of-shift cash counting for immediate reconciliation and accountability. Implement a policy for all employees to count and log cash at shift end.

7. Implementing Imprest System and Tracking for Copy Machines

- **Finding:** Cash and coins from the copy machines are collected without tracking expected amounts, making it difficult to accurately calculate revenue and detect discrepancies.
- **Recommendation:** Establish a documented process for copy machine collections. Maintain funds at an imprest amount by refilling machines to predetermined levels after each collection. Log all collections and refills to track expected versus actual revenue and ensure accountability with supervisor sign-off.

8. Cash Turn in Sheet

- **Finding:** the cash turn in sheet is not a carbon copy. Only some branches keep a separate log of the cash they turn in.
- **Recommendation:** Establish a document that has at least two copies and signature lines for people that count the funds and verify the funds.

9. Availability of Counterfeit Detection Pens

- **Finding:** Not all locations have a counterfeit detection pen, increasing the risk of accepting counterfeit bills.
- **Recommendation:** Equip all cash-handling locations with counterfeit detection pens and train staff on their proper use. This will help prevent the acceptance of counterfeit currency and reduce financial losses.

10. Dual Verification of Cash Count and Turn-In

- **Finding:** There is no evidence that a second person verifies the cash count and turn-in at branch locations, increasing the risk of errors or misappropriation.
- **Recommendation:** Implement a dual verification process where two employees independently count and verify cash before turn-in. Both

employees should sign off on the cash count to ensure accuracy and accountability.

Reno Main Location

11. Safe Code Security

- **Finding:** The codes to the safes have never been changed, increasing the risk of unauthorized access.
- **Recommendation:** Implement a policy requiring periodic code changes (e.g., quarterly) or whenever there is staff turnover. Restrict code access to authorized personnel only.

12. Removal of Cash Funds - Main Administration (\$50) and Main Reference Desk (\$30)

- **Finding:** Maintaining small cash funds that are not utilized increases the risk of errors or theft, particularly if oversight and documentation are insufficient.
- **Recommendation:** Work with the Comptroller and Treasurer to eliminate these cash funds. For small expenditures, utilize a petty cash system with strict controls or procurement cards to ensure accountability and reduce risk.

13. Deposit Bag Left Unsecured

- **Finding:** A discussion with a WCL staff member disclosed that deposit bags with cash in them are left on top of the safe until an employee with the combination arrives at work, increasing risk of loss or theft.
- **Recommendation:** Provide authorized personnel with safe access for immediate deposit or arrange for daily courier pick-ups. Secure deposits in a locked area if immediate access is not possible.

14. Deposit Bag Sealing Procedure

- **Finding:** Final bank deposit bags are not sealed in tamper-evident bags, increasing risk of tampering.
- **Recommendation:** Standardize procedures to require sealing all deposit bags in tamper-evident packaging to enhance security.

15. Reconciliation of Z-Tape to Cash Turn-In Sheet

- **Finding:** Cash register tapes (Z-tapes) are not reconciled to the cash turn-in sheet while preparing the deposit, which may allow discrepancies to go unnoticed.
- **Recommendation:** Require reconciliation of the Z-tape to the cash turn-in sheet, with supervisory review to ensure accuracy.

16. Deposit Form Verification

- **Finding:** Deposit forms are not verified by a second person, increasing the risk of error or misstatement.
- **Recommendation:** Implement dual verification for all deposit forms, with two employees reviewing and signing off to ensure accuracy and accountability.

Senior Center Location

17. Transactions are Currently Recorded on an Excel Sheet

- **Finding:** The cash from sales that the Senior Center collects is recorded on an Excel sheet that is kept on a shared drive.
- **Recommendation:** Establish a way to document the cash collected from sales at the senior center location that cannot be altered.

The department is requested to provide a response within 30 days to these recommendations, indicating whether each will be implemented and, if not, to provide a justification or alternative solution.

While WCL does have a system of internal controls in place, it is recommended that the office updates these policies and distributes them to all WCL locations. It is also recommended that WCL continues to retrain employees and at least annually remind employees to follow all policies and procedures that are put in place.

Kindly sign below to acknowledge receipt of this audit report and return it to Internal Audit.

Katelyn Kleidosty
Internal Audit Manager
kkleidosty@washoecounty.gov
(775) 830-2550

Louis Martensen
Internal Auditor
lmartensen@washoecounty.gov
(775) 997-1791

Representative from Department



Signature

Jeff Scott

Print Name