



OFFICE OF INTERNAL AUDIT

**REPORT TO THE PINAL COUNTY
BOARD OF SUPERVISORS**

**AUDIT OF THE PINAL COUNTY
LIBRARY DISTRICT**

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Executive Summary

The Pinal County Office of Internal Audit has completed an audit of the Pinal County Library District. The audit was included in the FY 2013-2014 Internal Audit Plan approved by the Pinal County Board of Supervisors; and was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). These standards require the audit is planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. The auditor believes the evidence obtained provides a reasonable basis for findings and conclusions based on audit objectives. The primary objective of this audit was, "To determine if the Library District is managing or utilizing its resources; including public funds, personnel, property, equipment, and space in an economical, effective and efficient manner." Specific audit objectives were to:

- A. Determine compliance with federal and state laws and grant regulations
- B. Review and analyze financial documents; including inventory
- C. Review management controls and operating procedures; including staffing
- D. Review Library District intergovernmental agreements (IGA's), vendor contracts, and memorandums of understanding (MOU)

Overall Conclusion

The overall conclusion is the Pinal County Library District is managing its resources effectively; however, the following areas were identified for improvement:

1. Comprehensive internal written policies and procedures
2. Resource distribution policy
3. Access to library services in underserved areas
4. Vehicle usage program

Our recommendations include:

1. Internal Audit recommends the Library District Director, with the help of staff, develop written policies and procedures for all essential department functions.
2. Internal Audit recommends the Library District Director develop a resource distribution policy to guide and explain the allocation of resources provided by the Library District to affiliate libraries.
3. Internal Audit recommends the Library District Director research the possibility of negotiating with Maricopa and/or Pima County to secure library services for Pinal County residents requesting library services in adjacent underserved areas.
4. Internal Audit recommends the Library District Director collaborate with the Fleet Director to develop a vehicle usage program that maximizes the value and utilization of District vehicles.

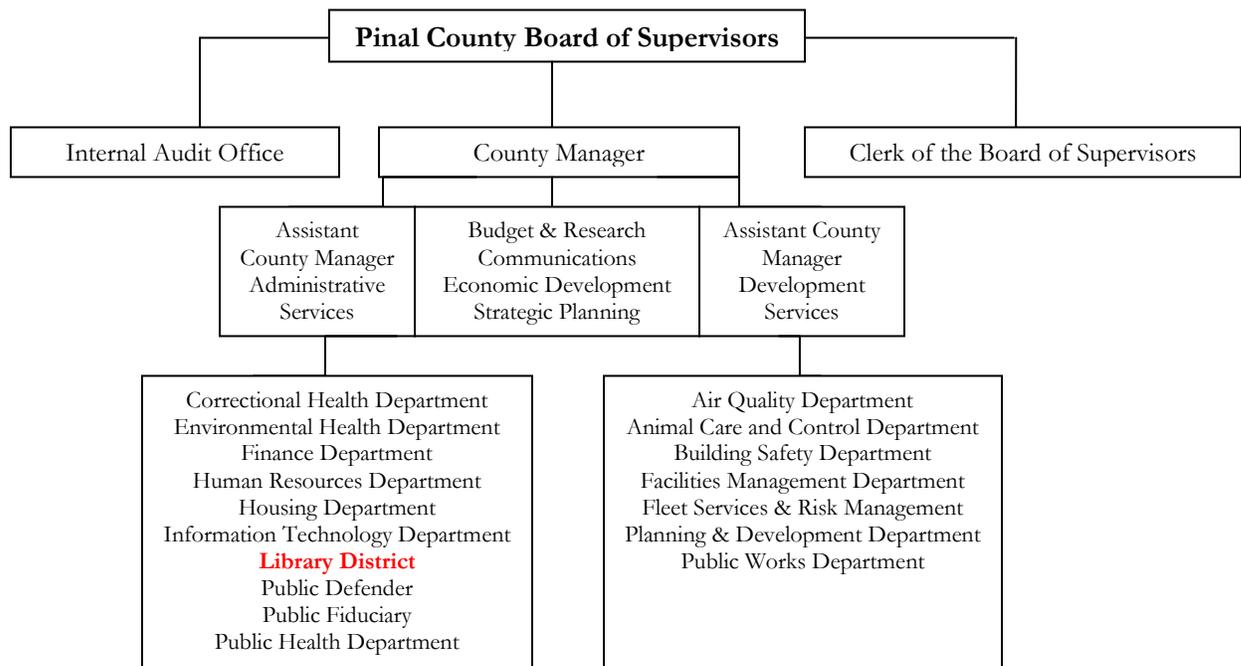
Internal Audit would like to thank the management and staff of the Pinal County Library District for their assistance and cooperation during the course of this audit. The following report provides additional details of audit observations and recommendations.

Audit Scope and Methodology

The scope of the audit was to determine if the Pinal County Library District is managing or utilizing its resources in an economical, efficient and effective manner. The following methodologies were used to complete the examination:

- Review and analyze financial documents (Comprehensive Annual Financial reports and annual budgets reports)
- Review department expenditures; specifically p-card expenditures and vendor billings
- Review Library Board agenda items and related grant approvals
- Interview department management and staff
- Tour district and affiliate libraries
- Benchmark operating and staff statistics
- Review major enabling laws
- Review vendor contracts, memorandums of understanding, and intergovernmental agreements
- Review and analyze Arizona State Library,¹Archives and Public Records county library information
- Review internal policies and procedures

Organizational Chart



¹ <http://www.azlibrary.gov/Default.aspx>

Background

Arizona law² allows the Board of Supervisors of any County to establish a county free library district for the county and for all cities and towns within the County. The Pinal County Board of Supervisors created the Pinal County Library District (Library District). By law, the Library District Advisory Board is the County Board of Supervisors, and the President of the Advisory Board is the Chairman of the Board of Supervisors. The Library District office is located in Florence, Arizona.

There are no County-owned libraries in the Pinal County Library District; instead, the Library District provides limited library services at the central District office in Florence and support services for twelve affiliate libraries around the County. Three of the affiliate libraries are located in unincorporated communities (Arizona City, Oracle and San Manuel), and the remaining nine are libraries in Apache Junction, Casa Grande, Coolidge, Eloy, Florence, Kearny, Mammoth, Maricopa and Superior. The association between affiliate libraries and the Pinal County Library District is established through intergovernmental agreements (IGA's) or Memorandum of Understanding (MOU's). Services provided to affiliates by the Library District include materials (books, DVD's, etc.), equipment, consulting service and training on current technologies. The following table shows patron counts and materials distribution by library³ from August 1, 2012 to July 31, 2013.

Library	Annual Patron Count*	Annual Circulation*
Apache Junction Public Library	44,023	497,403
Arizona City Community Library	1,390	54,894
Casa Grande Library	15,937	164,418
Vista Grande Library	7,886	173,410
Coolidge Public Library	4,702	83,060
Eloy Santa Cruz Library	1,957	31,303
Florence Community Library	3,454	61,701
Kearny Public Library	514	11,905
Mammoth Public Library	557	16,363
Maricopa Public Library	13,773	246,845
Oracle Public Library	3,097	20,269
Pinal County Library District	2,274	3,745
San Manuel Library	1,149	25,127
Superior Public Library	784	16,211
Total	101,497	1,423,251

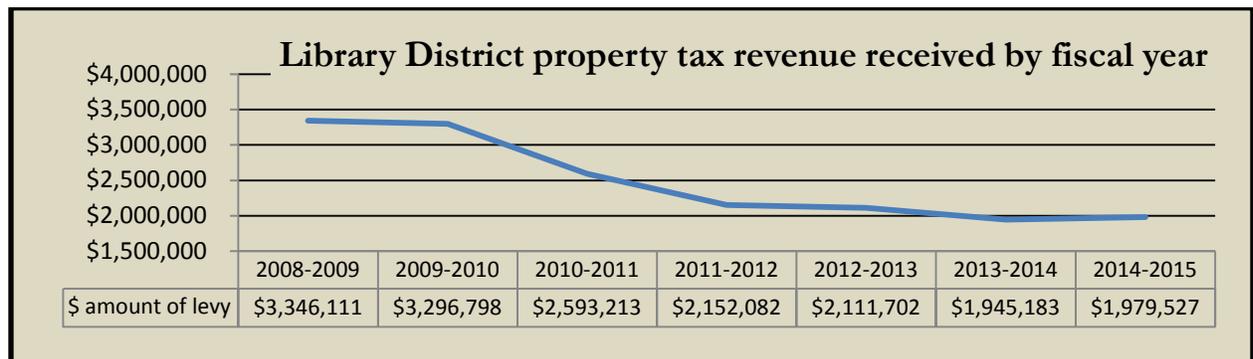
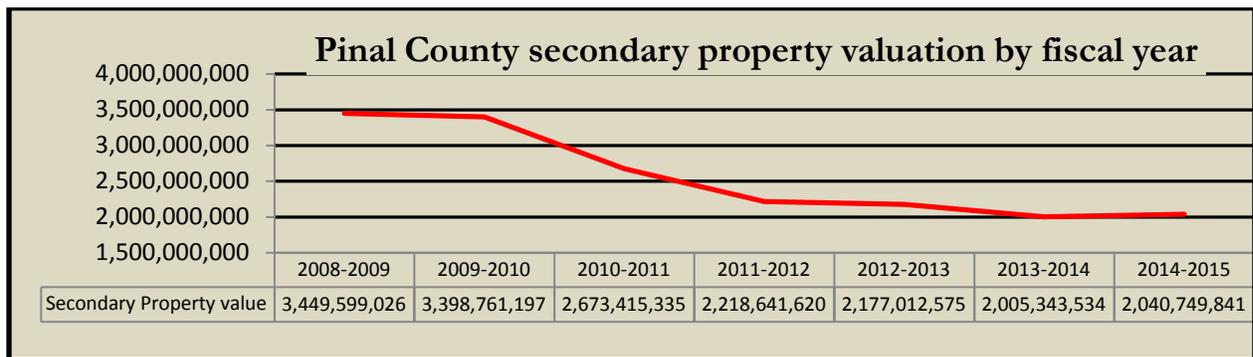
Also, in December 2011, the Pinal County Board of Supervisors established an Intergovernmental Agreement (IGA) with Central Arizona College (CAC) for automated services provided by the Pinal County Library District's Integrated Library System (ILS) and other agreed upon services.

In fiscal year (FY) 2013/2014, budgeted expenditures for the Library District are \$2,369,129 and there are eleven (11) full-time employees (FTE). The Pinal County Library District is primarily funded by a secondary property tax. In FY2007/2008 the library district property tax rate was increased \$0.00077 to \$0.00097, and has remained at that rate. Over the same period of time, the

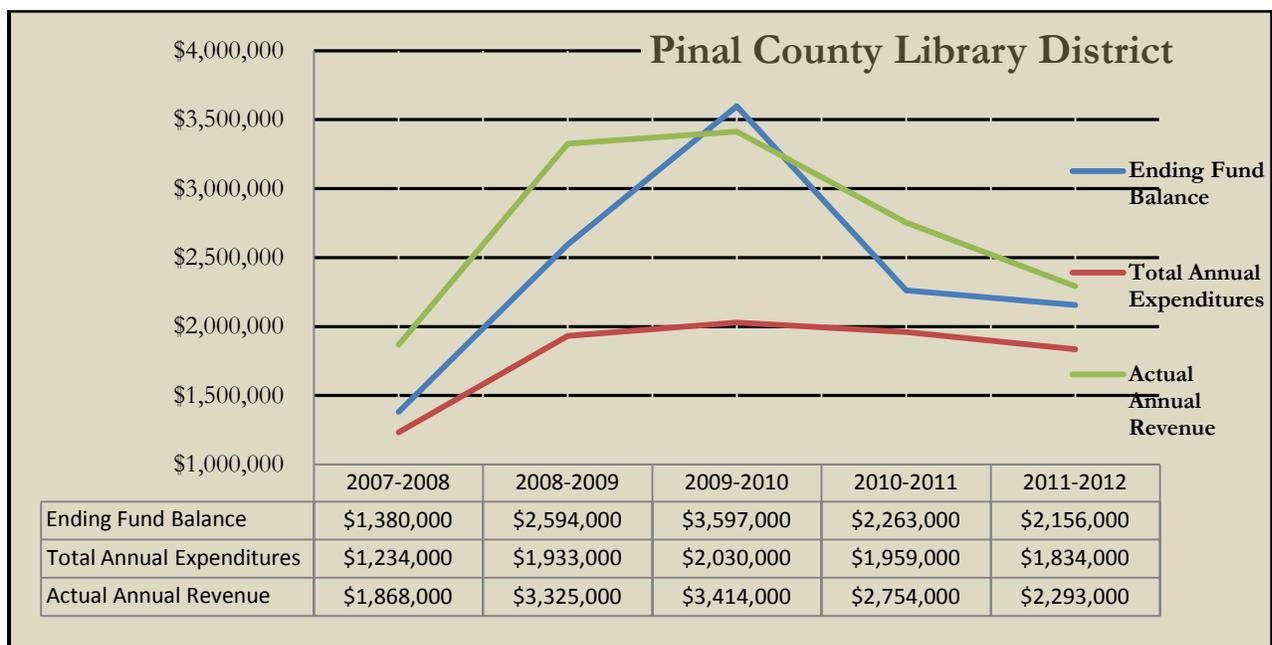
² ARS 48-3901

³ Provided by the Pinal County Library District

secondary property valuation (value) has dropped significantly. The charts below show Pinal County's secondary property tax valuations and property tax revenue received by the Library District from FY2008-2009 to FY2014-2015⁴.



In recent years the Board of Supervisors transferred a portion of the library district fund balance into the County general fund, as allowed by statute. According to information provided by the Pinal County Budget office, \$1,475,000 was transferred in FY2010/2011, and \$1,000,000 was transferred in FY2012/2013. The FY2012/2013 ending fund balance is approximately \$1,200,000.



⁴ FY2014-2015 is expected calculation if no change is made to the .00097 tax rate

The table below shows comparable statistics maintained by the Arizona State Library Archives and Public Records, for library districts in Pinal and surrounding counties. The data is from fiscal year 2009-2010; the last year comparable data was compiled.

FY 2009-2010	Pinal	Pima	Maricopa
Population of service area	349,368	969,417	3,851,649
# of libraries (includes tribal)	13	29	61
Population per library	26,874	33,428	63,141
Registered Borrowers	155,186	557,291	2,907,858
Circulation	1,488,811	6,506,789	37,152,909
Website visits	522,486	4,012,500	8,737,665
Operating expenditures	\$6,828,103*	\$32,126,906	\$95,200,943
Per capita expenditures	\$19.54	\$33.14	\$24.72
# of staff paid/volunteer	78/384	406/3,387	1020/7,418

* Some libraries within the County receive revenue from other sources in addition to Library District revenue

AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. Comprehensive internal policies and procedures

Criteria – Policies and procedures provide guidance for consistent performance and management of department functions. A policy is a statement of intent to guide decisions and achieve expected outcomes. Policies are implemented by operating procedures. Providing written policies and procedures improve the chances they will be appropriately and accurately applied.

Condition – Library District Director and staff have not developed comprehensive internal policies and procedures for department functions.

Cause – The office has experienced recent employee turnover and new employee training could be more detailed and complete.

Effect – There are a variety of risks affected by a lack of written policies and procedures, including, but not limited to:

- Delayed response – Written policies and procedures direct employees to act decisively and quickly.
- Agreed upon response – Written policies and procedures avoid conflict and outline an expected and proper course of action.
- Succession planning – Written policies and procedures provide guidance and proper training for succession events.

Recommendation #1

Internal Audit recommends the Library District Director, with the help of staff, develop written policies and procedures for all essential department functions.

B. Resource distribution policy

Criteria- A resource distribution policy and related procedures are used as planning tools to guide the allocation of resources and monitor progress toward the achievement of management policy. A resource distribution policy and formula can be weighted to take into account a range of factors including, but not limited to: total area population, local population current utilization of library services, and proximity of similar community services.

Condition – Pinal County collects county-wide library district property taxes and the Library District distributes a portion of revenue received to twelve (12) affiliate libraries throughout the County. Terms of affiliation are defined in Memorandums of Understanding (MOU's) and Inter-governmental Agreements (IGA's).

Terms do not include criteria for revenue or resource distribution. Resources distributed to affiliates include office supplies, furniture, technology (cable, Wi-Fi, etc.) and courier services. Also, two (2) county employees are assigned full-time at two affiliate libraries in Arizona City and San Manuel.

Cause - There is no resource distribution policy to guide, and if necessary explain, the resource distribution formula used to allocate resources. For example, what criteria are used to determine when the County will provide full-time staff?

Effect – The following table shows direct contributions distributed to affiliate libraries by the Pinal County Library District. Contributions include supplies, equipment, books and materials, and staff. Column three “direct contributions” does not include all resource contributed; for example, courier services, cable/Wi-Fi, online database subscription services, and training.

Library Service area	Population	Library District direct contributions	Contribution received divided by population = per person rate	Total average per person rate (\$2.09) times population	Amount of contribution received minus total average per person rate times population
Apache Junction	36,613	\$ 66,000.00	\$ 1.80	\$ 76,345.29	\$ (10,345.29)
Arizona City *	10,475	\$ 108,532.00	\$ 10.36	\$ 21,842.43	\$ 86,689.57
Casa Grande	49,974	\$ 66,000.00	\$ 1.32	\$ 104,205.59	\$ (38,205.59)
Coolidge	11,882	\$ 56,000.00	\$ 4.71	\$ 24,776.30	\$ 31,223.70
Eloy	17,448	\$ 56,000.00	\$ 3.21	\$ 36,382.50	\$ 19,617.50
Library District/Florence		\$ 32,000.00			
Florence	26,754	\$ 56,000.00	\$ 3.29	\$ 55,787.34	\$ 32,212.66
Kearny	2,007	\$ 53,000.00	\$ 26.41	\$ 4,184.99	\$ 48,815.01
Mammoth	1,426	\$ 53,000.00	\$ 37.17	\$ 2,973.49	\$ 50,026.51
Maricopa	44,803	\$ 56,000.00	\$ 1.25	\$ 93,423.04	\$ (37,423.04)
Oracle	3,686	\$ 53,000.00	\$ 14.38	\$ 7,686.03	\$ 45,313.97
San Manuel *	3,551	\$ 99,200.00	\$ 27.94	\$ 7,404.53	\$ 91,795.47
Superior	2,837	\$ 53,000.00	\$ 18.68	\$ 5,915.70	\$ 47,084.30
Unincorporated (not otherwise accounted for)	175,909	\$ -	\$ -	\$ 366,804.77	\$ (366,804.77)
Total	387,365	\$ 807,732.00	\$ 2.09		

* Arizona City and San Manuel are provided 1 fulltime County employee to assist with operations

Recommendation #2

Internal Audit recommends the Library District Director develop a resource distribution policy to guide and explain the allocation of resources provided by the Library District to affiliate libraries.

D. Vehicle usage program

Criteria – Pinal County Policy 8.91 *Vehicle Replacement Policy* purpose section states, “To establish a guide for replacement of County vehicles...so as to maximize value and utilization of available resources. Fleet Services shall collaborate with departments to determine what vehicles and equipment will be needed to achieve operational objectives...recommendations shall be predicated on achieving maximum utilization for the most reasonable life-cycle cost.” Utilization refers to annual average mileage of a vehicle.

A Fleet management study, conducted by Chatham Consulting,⁹ reviewed vehicle costs including depreciation and maintenance and determined seven (7) years was the vehicle life-span that produced the lowest total costs.

Condition – The Library District does not have a vehicle usage program and District vehicle usage may not be achieving maximum utilization. Internal Audit reviewed vehicle usage for FY2012/2013 and found one vehicle was driven 2,244 miles and the other 7,224 miles. Cost per vehicle mile is significantly higher for vehicles with low usage.

Vehicle	Original Cost	FY2012/2013 annual costs			
		Annual depreciation cost (based on 7 year life-cycle)	Annual fuel costs	FY2012/2013 mileage	Per mile cost
2007 Chevrolet Equinox	\$22,422.77	\$3203.25	366.27	2244	\$1.59
2011 Chevrolet Cruze	\$19,506.95	\$2786.71	813.27	7224	\$0.50

Cause – Changes in Library District operations are affecting vehicle usage.

Effect – Usage for both vehicles may be below maximum utilization. Pinal County vehicle policies do not specifically include vehicle utilization guidelines; however, Policy 8.91 states vehicle recommendations “...shall be predicated on maximum utilization...” Also, State of Arizona vehicle use guidelines state a vehicle should be used a minimum of 10,000 miles per year to justify the cost of acquisition and maintenance.

Recommendation # 4

Internal Audit recommends the Library District Director collaborate with the Fleet Director to develop a vehicle usage program that maximizes the value and utilization of District vehicles.

⁹http://chathamconsulting.com/publications/replace_files/page19_1.pdf

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
<p><i>1. Internal Audit recommends the Library District Director, with the help of staff, develop written policies and procedures for all essential department functions.</i></p>	<p>Yes</p>	<p>Complete instructions for Polaris functions already exist. Staff members are in the process of creating written policies and procedures for all essential functions. This will be an ongoing project, with essential functions completed by June 2014. Procedures will be updated when changes occur</p>	<p>June 2014 (with ongoing updates)</p>	<p>Library District Director</p>
<p><i>2. Internal Audit recommends the Library District Director develop a resource distribution policy to guide and explain the allocation of resources provided by the Library District to affiliate libraries</i></p>	<p>Yes</p>	<p>Previously, resource distribution has been based on the size of the library and population served. This worked until the 2000 Census showed extreme population growth in some areas, and shrinkage in the small communities. The libraries reached consensus by remaining static on the amounts distributed.</p> <p>A new Resource Distribution Policy is under development. The formula will establish a minimum amount to each library for books, equipment, supplies and contributions. Factors that affect additional amounts will be the percentage of active patrons, circulation, number of public computers, and number of programs offered to the public. The aggregate percentage from these factors will be used to calculate the total amount provided to each library. Additional base amounts will be provided to minimize the negative effect of the new formula for the first year. The amounts will be adjusted over a 3 year period depending on increases or decreases of percentages. This plan provides an incentive for libraries to boost registered borrowers, circulation, and programming. The policy will be discussed with the Board of Supervisors to solicit guidance.</p>	<p>April 2014</p>	<p>Library District Director</p>

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
<p><i>3. Internal Audit recommends the Library District Director research the possibility of negotiating with Maricopa and/or Pima County to secure library services for Pinal County residents requesting library services in adjacent underserved areas.</i></p>	<p>Yes</p>	<p>It is true that there are pockets of populated areas in the county without a local physical presence for library service.</p> <p>Maricopa and Pima County have established fees for out-of-county patrons, and it is doubtful that they will want to decrease or waive the fee.</p> <p>Using the number of total active patrons divided by total Pinal County population, staff calculated the overall percent of registered borrowers in Pinal County to be 27%. If the Library District contracts to cover the cost of Pinal residents applying for cards at Maricopa or Pima County Libraries at 27% of that population, the projected cost would be about \$1,145,252 annually (see table below). This amount is over half the Library District budget and would not be sustainable at the current tax rate. Moreover, it would leave scant funds to assist the existing 12 libraries in the county.</p> <p>A bookmobile is a cost efficient alternative. Bookmobile service would allow us to provide service to multiple areas all over Pinal County, rather than just one community. Start up and ongoing operational costs would be significantly lower than establishing new buildings or contracting with other counties. Alternatively, there are book dispensing machines (similar to Red Box) that might be positioned at strategic points to provide reading materials to the public, or small branch libraries could be established in populated areas that don't have a physical library.</p>	<p>TBD</p>	<p>Library District Director</p>

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
<i>4. Internal Audit recommends the Library District Director collaborate with the Fleet Director to develop a vehicle usage program that maximizes the value and utilization of District vehicles.</i>	Yes	One vehicle is used daily by a staff member who travels to various libraries to help with special projects or staff shortages. The SUV has received less use in the last year due to changes in staffing and operations. The Library District Director will contact the Fleet Director to explore alternative plans to maximize vehicle usage.	April 2014	Library District Director

Area	Population	Percentage of Registered Borrowers	Projected number of card holders	Out-of-county fee	Projected cost for PCLD
San Tan Valley	81,321	27%	21,957	\$50.00	\$1,097,833.50
Saddlebrook	7,025	27%	1,897	\$25.00	\$47,418.75
Total	88,346		23,584		\$1,145,252.25