

**Management Responses  
to the  
LCS Audit Committee  
Report  
Of  
1 April 2009**

**Section 1: Governance**

**1.2 Board of Directors & Board Functions**

***Audit Recommendation 1*** – Board of Director member terms be staggered to provide continuity from one term to another

***Management Response*** – The Board agrees and will soon begin a process of evaluating this and other changes to the LCS by-laws as part of a strategic planning process.

***Audit Recommendation – 2*** – There be no less than three voting members on the Finance Committee with strong consideration given to adding the Office Administrator as a member.

***Management Response*** – The Board agrees. The Senior Finance Director, Treasurer, Office Administrator, and Outside Accountant now make up the Finance Committee.

**Section 2: Financial**

***Audit Recommendation 1*** – Separate receipt books be utilized for each of the LCS activities. Receipt books be kept under lock and key and issued to individuals (who sign for them) in specific areas of responsibility (e.g. membership, directory sales, Spanish classes, pond fish sales, etc.). Those receipts are only to be used for the specific activities they have been allocated to.

***Management Response*** – The Board agrees that receipts need to be better accounted for. Procedures will be changed to include the following:

- LCS will put up signage that reminds members (and others) that they should be given a receipt for any money given to LCS functions, employees, and volunteers.
- The Office Administrator will issue pre-numbered receipt books to each committee or employee that receives money for any purpose.
- A log will be kept of the beginning and ending sequence numbers of each receipt book issued, and to whom it was issued.
- All functions and employees using receipt books will be instructed to include the 2<sup>nd</sup> copy of the receipts when depositing money into the buzón, along with any copies that are voided for mistakes.
- The accountant will be instructed to account for all receipts during the daily bookkeeping process.

***Audit Recommendation 2*** – All summary sheets prepared by the membership collections desk be numbered sequentially (page one of ....., page two of ....., etc.) to ensure that all daily receipts are accounted for.

***Management Response*** – The Board agrees to make this change.

**Audit Recommendation 3** – If possible, the summary sheets prepared by the membership collections desk should have the receipt numbers running in the sequence number they have been issued, to avoid having to “tally” each sheet with the sequence of those receipts, thus avoiding missing receipt numbers in the process.

**Management Response** – The Board agrees to make this change, but notes that two sets of receipt books may be in use during busy season and that there may be two sets of receipt sequences because two people may be issuing receipts independent of each other.

**Audit Recommendation 4** – All blue copies of receipts be accounted for and an explanation recorded for any missing numbers from the issued receipt books sequence (e.g. cancelled, destroyed, lost, etc.). The blue copies be attached at the back of each member’s renewal file for ease of reconciliation at year end.

**Management Response** – The Board agrees to make this change so all functions and employees who issue receipts will be required to account for all receipt numbers issued them. The copy of the receipts issued by the membership collections desk will be attached to the back of each member’s renewal file as recommended.

**Audit Recommendation 5** – Where possible all receipt book holders should sign off on a daily basis with the first and last receipt used from the book in their custody to be tallied to the amount of money collected and banked on that day.

**Management Response** – The Board disagrees with the recommendation and believes that normal accounting for the sequence of receipt books issued will suffice.

**Audit Recommendation 6** – The Bookkeeper, under the supervision of the Treasurer, should check all additions on the summary sheets prepared by the membership collections desk to ensure that amounts being banked are tallying with the receipts for that day.

**Management Response** – The Board disagrees with the recommendation. The volunteers working membership are instructed to ensure that they account for the money that the summary sheets tally out to. The Board understands that during busy season volunteers may make an occasional mistake in collecting money and providing change. Sometimes the amount collected is less than what the summary sheets say was collected. And sometimes the amount collected is more than what the summary sheets say was collected. Current procedures state that the volunteers are to record any differences on the summary sheet, and include a copy of that summary sheet with the deposit into the buzon.

**Audit Recommendation 7** – Monies received on a periodical basis, such as pond fish sales, be accounted for in the same manner as other monies received by LCS. i.e. banked on at least a weekly basis and expenses incurred by the ground staff to be offset against the income received from those sales in accordance with budget allocations.

**Management Response** – The Board agrees that the grounds staff will turn in all money received and will be given money as budgeted (or needed) to purchase plants and other items needed for the gardens.

**Audit Recommendation 8** – The value of buildings and properties need to be added to the balance sheet so the balance sheet properly reflects the financial accounting value of LCS. Note: We understand that this valuation is in process by the Board.

**Management Response** – This is in process and no response is necessary.

**Audit Recommendation 9** – Handling of cash in most areas needs to be adequately controlled and secured in accordance with written policies and procedures.

**Management Response** – To the Board’s knowledge, the handling of cash by all functions and employees is in compliance with policies and procedures. Those procedures will be added to the desk procedures for each function so they are aware of the policies and procedures, and that they comply with them.

## **Section 3: Operations**

### **3.1 Physical Assets**

**Audit Recommendation 1** – A secure system be established for properly maintaining keys kept in the Administration Office for various drawers, file cabinets, etc. Note: The Office Administrator is in the process of establishing a procedure for key control.

**Management Response** – In addition to the procedures for key control now underway, keys are now more secure since the reassignment of office space during the Easter holiday. The locked key box containing the working sets of keys was relocated next to the Services Desk so it is under observation all the time. The box with original keys was moved to a cabinet in the Office Administrator’s office which is also under surveillance during open office hours.

**Audit Recommendation 2** – There should be an investment strategy and a reporting procedure to the Board for non-operational funds.

**Management Response** – The investment strategy has been to maintain the Bancomer checking account at a minimum balance for each month. Excess money in the checking account has been moved to Lloyds for investment during the months of high collections, and then back to the checking account to cover bills during the months of low collections. The monthly budget has been used as a guide for moving money between investments and checking. The Finance Committee will investigate various instruments for investments to see if LCS can improve on its investments.

### **3.2 Buildings and Grounds**

**Audit Recommendation 1** – Convert the upstairs board room bathroom (currently being used by various people for storage) into proper storage assigned to the Treasurer and under lock and key.

**Management Response** – This unused former bathroom has been cleaned out and found to be usable. The Treasurer’s records have been assigned to an overhead storage area. A lock will be put on the door.

**Audit Recommendation 2** – Clear out unwanted books from the library being kept in the Treasurer’s area which will provide storage space for things currently kept in the bathroom in the board room.

**Management Response** – This has been done.

**Audit Recommendation 3** – Rekey the Treasurer’s/Bookkeeper’s desk and keep it locked when not in use.

**Management Response** – This has been done.

### 3.3 Library, Membership, and Services Desk Operations

**Audit Recommendation 1** – standardize policies and procedures:

- a. Develop an LCS Board Policy on the Development of Policies and Procedures
- b. Require policy and procedures documents to show LCS Board approval date and revision dates

Note: The Board is currently working on updating and formulating new policies and procedures for all areas with a target completion date of August 31, 2009.

**Management Response** – Under the current process of reviewing and updating all policies and procedures, the final forms will include signatures and dates of approval, and the tracking of changes as being recommended.

**Audit Recommendation 2** – Develop a standard form for all LCS Policies. Note: A form is currently under development.

**Management Response** – A standard form was developed and is in use. It may be redesigned though to address tracking dates of changes.

**Audit Recommendation 3** – Develop a uniform numbering system for all policies.

**Management Response** – This is being done.

**Audit Recommendation 4** – Develop a central location for ALL policies and procedures.

**Management Response** – Policies and procedures when completely undated will be included on the web in a subsection of the governance documents. The hardcopies will be bound in a set of binders with a “table of contents” and a “glossary” to help members and volunteers to find whatever they are looking for. And the policies and procedures specific to each operational area will be included in volunteer binders that will be given all volunteers during their training.

**Audit Recommendation 5** – Develop job descriptions for all positions, including volunteer positions. Note: The Board has completed job descriptions for all paid employees.

**Management Response** – This is in process.

**Audit Recommendation 6** – Develop a manual for volunteer training on the overall mission of LCS, the services offered, fees charged.

**Management Response** – This is included in the “blue pages” of the directory and will be provided all volunteers as part of their training handbooks.

**Audit Recommendation 7** – Require each service area to develop a Desk Manual of site-specific policies and procedures.

**Management Response** – As discussed above, once the policies and procedures are fully updated, those specific to each operational area will be included in volunteer binders that will be given all volunteers during their training. This will be the responsibility of the volunteer overseeing the development of the policies and procedures, in conjunction with the “volunteer coordinator” who will be developing standardized training for all volunteers.

**Audit Recommendation 8** – Require documentation of volunteer training, including having volunteers sign off on having read the required training material.

**Management Response** – This is part of the planned process that will be delegated to the “volunteer coordinator” once the position is filled.

**Audit Recommendation 9** – Cross train library and library technical services desk volunteers.

**Management Response** – This is in the process of being done.

**Audit Recommendation 10** – Cross train membership and services desk volunteers.

**Management Response** – Services desk volunteers handle membership during the non-peak months. Most have been cross-trained but the Membership Director will be asked to help with developing the Desk Manuals for the services desk so all are trained.

**Audit Recommendation 11** – Systematically gather statistics in each department.

**Management Response** – This will be accomplished during this calendar year.

**Audit Recommendation 12** – Examine ways to improve the library computer program features and its capability to interface with the membership database.

**Management Response** – This will be reviewed to determine a cost effective way to link the membership database with the library system. It is the Board's goal to redesign the membership system prior to the 2010 membership drive that begins in September.

**Audit Recommendation 13** – Account for membership cards.

**Management Response** – The Board will be reviewing ways to control membership cards. This will include evaluating the costs and benefits of issuing cards as currently done by Costco, Sam's Club, etc. Those cards contain member pictures and bar codes that could solve the problem the library currently has with adding bar codes. Pictures could solve problems of people lending their cards to others.

The revision of the membership system will be done in concurrence with changes made to membership cards. The Board wishes to streamline the membership renewal process:

- a. eliminate hardcopy books and forms
- b. have members review and change their data directly online, and
- c. have new cards issued (as necessary), similar to Costco and Sams

**Audit Recommendation 14** – Provide new membership cards for each renewing member with legible names.

**Management Response** – This would be part of the process changes discussed in #13 above.

**Audit Recommendation 15** – Examine ways to utilize the membership computer program for direct data entry by volunteers as members are enrolled for or renew membership and to answer simple membership questions.

**Management Response** – This would be part of the process changes discussed in #13 above.

**Audit Recommendation 16** – Re-establish book check out practices in the library for short term members with appropriate deposits and limitations on the number of books that can be checked out at any one time.

**Management Response** – The Board is beginning a process of developing a "strategic plan". This recommendation will be evaluated as part of that process.

## Management Comments

The Board of Directors wish to thank the Internal Audit Committee volunteers for all their work to date in auditing the records of the fiscal year transition and their review of operations.

We did find one finding included in the section on Operations that was not addressed with a recommendation, and which the Board does not agree with:

***Audit Finding 4*** – There is no book budget for the library, probably one of the most used services at LCS. The book budget was described as “whatever is left over.”

***Management Response*** – The 2009 budget, posted on the web, includes \$120,000 pesos for the purchase of new books and magazines for the LCS library. The library committee is aware of their budget and have been encouraged to begin purchasing new books and magazines in line with that budget.