



Illinois Heartland Library System

TO: IHLS Board of Directors
 FROM: Rhonda Johnisee
 DATE: January 23, 2020
 RE: OCLC Audit

Illinois Heartland Library System (IHLS) has been awarded the Online Computer Library Center (OCLC) Billing Grant from the Illinois State Library (ISL) since the merger of the four regional library systems. OCLC is a world-wide organization that supports research sharing between libraries through online services. This grant gives IHLS the fiduciary responsibilities for the OCLC billing on behalf of ISL. IHLS invoiced approximately 1,100 libraries for annual group service fees and monthly transactions.

On November 18, 2019, Scheffel Boyle began the compliance audit on the agreed upon procedures that were provided to them based upon past OCLC audits. The attached audit was performed solely on the OCLC billing related transactions and its bank accounts for FY2014 through FY2019. At the January 13, 2020 Finance Committee meeting, a motion was made to forward this OCLC audit report to the IHLS Board of Directors.

Below are the explanations for the exceptions listed on the attached audit report.

1. Examine bank reconciliations and bank statements for the years ended June 30, 2014 to June 30, 2019 and trace the book balances to the financial statements and/or trial balance.

- There was a \$700.00 deposit in-transit (dated 8/30/13 in the financial software) that wasn't noted on the bank reconciliation. It came through on the September 2013 bank statement. At that time, bank reconciliations were done manually via a spreadsheet.
- The monthly transfer was deposited in error into the IHLS Regular Checking account at Busey instead of the OCLC checking account. The error was caught and fixed within a few days, but the correction occurred in following month. Since this transaction equaled a net of zero in the IHLS Regular Checking account, it was not added into the Traverse software. This account belongs to IHLS only and is not a part of OCLC billing accounts. At that time, bank reconciliations were done manually via a spreadsheet.
- The bank fee stated on the INB bank statement (this is the holding bank for the credit card transactions and is a part of the IL Funds E-Pay account) didn't come through on the E-Pay IL Funds bank account until the following month but was recorded as a transaction in November.

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- The bank fee stated on the INB bank statement (this is the holding bank for the credit card transactions and is a part of the IL Funds E-Pay account) didn't come through on the E-Pay IL Funds bank account until the following month but was recorded as a transaction in March.
- The bank fee stated on the INB bank statement (this is the holding bank for the credit card transactions and is a part of the IL Funds E-Pay account) didn't come through on the E-Pay IL Funds bank account until the following month but was recorded as a transaction in May.

2. Confirm the June 30, 2014 to June 30, 2019 bank balances with the financial institutions.

- When we called Busey Bank to inquire on this confirmation they stated that they may not be able to complete it because they only retain that information for 5 years and this was slightly past that timeframe.
- Illinois Funds returned the confirmation request stating they were unable to process verification requests for tax years prior to 2016. The letter stated to use the confirmation.com site for the confirmation. Scheffel Boyle sent the request through confirmation.com and they came back stating they could not confirm balance for the requested date.

5. Trace the receipts and disbursements tested to the ledger.

- When the Traverse Software upgrade was performed in FY2017, the Group Services general ledger (GL) codes were not transferred over with the correct GL number attached to them. At that time, the system was applying transactions to a default GL code that was incorrect. After working with our system software support company, we were able to come up with a temporary solution so that we could get the correct GL each time a billing is processed. Since this temporary solution is so tedious, we are working along with the software support company on a permanent solution for this.

ILLINOIS HEARTLAND LIBRARY SYSTEM
AGREED-UPON PROCEDURES

Our engagement consisted of performing the following agreed-upon procedures:

1. Examine bank reconciliations and bank statements for the years ended June 30, 2014 to June 30, 2019 and trace the book balances to the financial statements and/or trial balance.

Five exceptions were found as a result of performing this procedure.

- *The August, 2013 reconciled balance in the Illinois Funds OCLC E-Pay Account, ending in #8549, is \$2,935.71 when the balance per the trial balance is \$3,635.71.*
- *The February, 2015 reconciled balance in the Busey Bank OCLC Checking Account, ending in #5430, is (\$319,020.57) when the balance per the trial balance is \$58,979.43.*
- *The November, 2016 bank reconciliation for the Illinois OCLC E-Pay Account, ending in #8549, did not include the account analysis fee of \$10.17.*
- *The March, 2017 bank reconciliation for the Illinois OCLC E-Pay Account, ending in #8549, did not include the account analysis fee of \$10.28.*
- *The May, 2018 bank reconciliation for the Illinois OCLC E-Pay Account, ending in #8549, did not include the account analysis fee of \$10.27.*

2. Confirm the June 30, 2014 to June 30, 2019 bank balances with the financial institutions.

Two exceptions were found as a result of performing this procedure:

- *The June 30, 2014 balances of accounts with Busey Bank were unable to be confirmed because the bank does not retain this information for more than 5 years.*
- *The June 30, 2014 balances of accounts with Illinois Funds were unable to be confirmed because the bank does not retain this information.*

3. Select a sample of disbursements which comprises at least 25% of the total dollar value of disbursements for each fiscal year, and examine the cancelled check and invoice or other supporting documentation for each such disbursement selected. Verify that each disbursement is a valid disbursement of OCLC activity.

No exceptions were found as a result of performing this procedure.

4. Select a sample of receipts, which comprises at least 25% of the total dollar value of receipts for each fiscal year, and trace each receipt to a deposit slip and corresponding bank statement and examine any supporting documentation accompanying the receipt (e.g. letter, check stub, copy of check, etc.) noting agreement.

No exceptions were found as a result of performing this procedure.

5. Trace the receipts and disbursements tested to the ledger.

Three exceptions were found as a result of performing this procedure:

- *The Group Services revenue receipts were put to the Sales account general ledger code instead of the Group Services revenue code for the years 2017.*
- *The Group Services revenue receipts were put to the Sales account general ledger code instead of the Group Services revenue code for the years 2018.*
- *The Group Services revenue receipts were put to the Sales account general ledger code instead of the Group Services revenue code for the years 2019.*