

**SEMINOLE COUNTY**

**REVIEW  
OF  
CONTRACTS FOR  
LIBRARY MATERIALS**

**REPORT NO. 031514**

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**The Office of the Clerk of the Circuit Court and  
Comptroller**

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**SEMINOLE COUNTY  
OFFICE OF THE CLERK OF THE CIRCUIT COURT AND  
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**CONTRACTS  
FOR  
LIBRARY MATERIALS**

TABLE OF CONTENTS

**Transmittal letter**

Background .....	1
Scope of Work.....	2
Overall Evaluation .....	2

**Findings and Recommendations**

<b>1. No requirement to sign off on incoming book receipts.</b>	
Audit Recommendation .....	3
Management Response .....	3
<b>2. Some lease allowances may no longer be needed.</b>	
Audit Recommendation .....	5
Management Response .....	5
Audit Comment .....	6

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# SEMINOLE COUNTY

## REVIEW OF CONTRACTS FOR LIBRARY MATERIALS

### BACKGROUND

Seminole County has four major contracts for the acquisition of books for its libraries. The four contracts are:

- Baker and Taylor
- Ingram
- McNaughton
- Overdrive

Each of these companies is used for a different purpose based on the specific needs of each library. Specifically, Baker and Taylor serves as the primary supplier and, the preferred vendor because it provides labeling so that the books can easily be entered into the library catalog system. Ingram is the secondary supplier for the books that are not available from Baker and Taylor.

McNaughton, a third supplier, is used to supplement the other two contracts above; and, is used generally to obtain newly released and the most popular books when there is a very high demand. An example would be a new release of a bestselling novel. This is considered a lease contract because the county returns these books after they are no longer needed. This contract is based on an allowance method. The county is allowed to lease a certain number of books per year at a fixed contract price.

Finally, the county has a contract for electronic books with Overdrive. This is similar to McNaughton in that it is a fixed priced contract for a certain annual allowance for patrons to have access to electronic books.

For the year ending September 30<sup>th</sup>, 2013, the following costs have been incurred:

Baker-Taylor	\$535,057.27
Ingram	\$68,780.77
McNaughton	\$228,613.34
Overdrive	\$80,246.69

The results of the review are included in the report that follows.

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## PURPOSE

The review was performed to determine compliance with the terms and conditions of the contracts and applicable laws, regulations and administrative procedures. Also, the purpose of the review is to determine if the system of administrative controls is adequate and functioning effectively.

## SCOPE OF WORK

This review focused on the following:

- Contracts used to purchase and/or lease books, audio and visual materials by the library.
- Interviews with the director of Library Services and other staff to obtain familiarity and compliance with internal procedures;
- The Operating Manual of the division to assess the adequacy of County policy and also for compliance with management directives;
- Invoices from the four vendors to determine that books purchased or leased were properly accounted for in the library inventory; and,
- The library catalog.

## OVERALL EVALUATION

In our opinion, the system of internal control is working as intended in compliance with contract terms and county policy. Library materials (i.e. books etc) purchased are being included in the library's catalog system; and, accessible to the public immediately as it is updated.

The following issues require management attention:

- No requirement to sign off on incoming book receipts; and,
- Some lease allowances may no longer be needed.

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## FINDINGS AND RECOMMENDATIONS

### FINDING NO. 1

#### *No requirement to sign off on incoming book receipts.*

Personnel receiving shipments are not required to sign off that the shipment received agreed to the packing slip or order.

A packing slip is the official record of goods that were actually shipped by the supplier. To insure the goods on the slip were actually received, the packing slip should be checked by staff, signed, and dated. This provides an official record of the books physically received and the ones that were missing from the shipment. For the books without a packing slip; a receiving report should be prepared by staff that provides the record of the incoming shipment.

By not having a policy to sign off on the incoming goods, there is no official record of the items received and the date received.

#### **Recommendation**

Written policies and procedures should include a requirement for an employee sign off for all incoming shipments.

#### **Management Response**

We would like to respond to Finding No. 1 regarding the current procedure of not requiring staff to sign off on incoming book receipts. The library accepts the conclusion in Finding No. 1 and will revise policy and procedures to require an employee to sign off for all incoming shipments and will create a receiving report for items without a packing slip. These will be scanned into OnBase, the content management system used by the County, to retain the documentation for the official record.

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## FINDING NO. 2

### *Some lease allowances may no longer be needed.*

The McNaughton contract is a fixed priced contract for \$228,613.34. Under the terms of the contract, the county is allowed to lease up to a certain amount of books (i.e. allowances) each year. The contract is priced so that on average it costs about \$15.38 per book. This price is based on the county requiring about 14,868 books (i.e. allowances) each year.

The actual orders placed by county staff are about 15% less than the full allowance offered under the fixed priced contract of \$228,613.34. Thus; the counties net cost to lease a book is higher as a result. We estimate that it costs approximately \$18.09 per book (allowance) because all of the books allowed under the contract are not needed.

For illustration purposes, the following chart is provided:

#### Cost per book – (Using 100% of Allowances)

<b>Fixed Priced Contract Cost</b>	\$228,613.34
Estimated Number of Books	14,868
Average Cost per book	\$15.38

#### Cost per book – (Using only 85% of Allowance)

<b>Fixed Priced Contract Cost</b>	\$228,613.34
Actual Number of Books Leased	12,638
Net Cost to County per book	\$18.09

As noted above, the county simply does not need to lease all of the books it is allowed to and therefore their net cost is about \$2.71 more per book based on the terms and conditions of the contract. We estimate this additional cost to be about \$34,250.00 year.

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By negotiating a contract with a fixed priced allowance greater than needed provides for a higher average per unit cost. This contract benefits the supplier more than the county.

### **Recommendation**

During contract renewal, adjust the terms of the contract to a lesser amount of allowances to reduce the cost.

### **Management Response**

We would like to respond to Finding No. 2 regarding the leased book contract. The contract is for \$233,278 and the 2% discount is applied, if payment is made within a certain amount of time.

Books are assigned a point score in the McNaughton plan under contract. Based on the publisher's retail price, some books are assigned one, two or three allowance points.

"One book allowance will be deducted for all books with publisher list price of \$28 or less. Additional allowance will be deducted for higher priced books. For example, two allowance credits will be deducted for books with a publisher list price of \$28.01 through \$38. Each additional \$10 dollar increment equals one additional allowance."

Because some books will be at the higher allowance point, the library will not receive 14,868 annually. To reach that amount, only books with the lowest list price would have to be selected.

It is typical for the books with the higher price to be high demand with 700-800 county residents on a waiting list for the book. These are typical examples of high demand best sellers that due to the retail price were allotted at two allowance points.

James Patterson, Alex Cross, Run list price, \$28.99

Clive Cussler, Mirage, list price, \$28.95

John Grisham, Sycamore Row, List price \$28.95

The allotment statement from McNaughton shows the amount of points available. In 2013, the final statement on September 7, 2013 indicated five allowance points remaining for the year, which demonstrates that the library fully utilized the contract.

The library does need to lease all of the books it is allowed under the point system in this contract to meet the demands of our residents. The leased books published during 2013 were checked out 88,485 times during the year. For example, Sycamore Row had a waiting list of 788 residents and we had 100

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leased copies. Customers waited 1.5 months to receive the book. With reduced allowance points, the number of copies would be reduced and the time on the waiting list for our residents would increase. A reduction of \$34,250.00, as proposed would be a 14.6% reduction in the allowance points resulting in a decrease of 12,989 checkouts by county residents annually.

### **Audit Comment**

There were 2,000 unused allowances available at the end of the first year of the contract (July 2012); and, 4,000 unused allowances available at the end of the second year of the contract (July 2013). This shows an unfavorable trend of unused allowances. The recommendation stands and management should monitor the utilization of the contract to ensure that it is cost effective.

In the management response noted above (page 5), management show-cases three examples of books that require higher allowance points.

Per the management comment:

*"It is typical for the books with the higher price to be high demand with 700-800 county residents on a waiting list for the book. These are typical examples of high demand best sellers that due to the retail price were allotted at two allowance points.*

*James Patterson, Alex Cross, Run list price, \$28.99  
Clive Cussler, Mirage, list price, \$28.95  
John Grisham, Sycamore Row, List price \$28.95"*

The books noted above could be ordered directly from a supplier such as Amazon for either the same price or less. Here are the current prices of these same books from Amazon:

*James Patterson, Alex Cross, Run list price, \$8.50  
Clive Cussler, Mirage, list price, \$11.25  
John Grisham, Sycamore Row, List price \$11.44"*

Take for example, an order is placed for 5 books at \$28.95, the cost would be \$144.75. By ordering through Amazon at \$11.25 per copy the cost is \$56.25; a cost savings of \$88.50.

The lowest cost alternatives should be pursued to minimize the financial impact to the citizens of Seminole County.

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