



SALT LAKE COUNTY AUDITOR'S OFFICE

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1852-2002

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James Cooper, Director
Salt Lake County Library System
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RE: South Jordan Library Cash Audit

Dear Jim:

We recently completed an unannounced count of the change fund at the South Jordan Library. We also reviewed the branch's cash receipting and depositing procedures, and fixed and controlled assets. Overall, many sound internal control procedures are in place and functioning properly. The South Jordan Library staff and Library management are to be commended for their efforts in this regard. Nonetheless, we did find some areas where improvements are needed.

All of our findings and recommendations were discussed verbally with the South Jordan Library Circulation Supervisor and Branch Manager. The findings and recommendations considered most significant are presented in this letter.

CHANGE FUND AND CASH RECEIPTING/DEPOSITING

At the time of our unannounced count, the branch's change fund balance, when counted with that day's collections, was \$.39 over its authorized amount. This minor overage occurred predominantly in the count of the cash in the branch's copy machine, which had an overage of \$.35. Funds in the two cash registers were only \$.04 over the total of their assigned change amounts and that day's collection record.

Our audit also included examining cash receipting and depositing procedures on 36 randomly selected days to determine whether Countywide Policy #1062, "Management of Public Funds," was followed. The most significant findings identified during this review of cash receipting and depositing procedures were:

- **Fine and Fee Waivers did not consistently receive adequate review and approval.**
- **Void procedures were not always completed correctly.**
- **Refunds were given out of funds that were receipted the same day.**

Fine and Fee Waivers did not consistently receive adequate review and approval.

County Libraries collect fines and fees incurred by patrons for overdue, lost, and damaged items. In some instances, fines and fees are waived by Library personnel. When this occurs, Library policy requires that an approval form be completed. The policy also requires that the employee handling the waiver update the patron's record on Dynix, the Libraries' on-line circulation and cataloging system.

We examined the 172 Fine and Fee waiver forms that were completed on the 36 randomly selected days in our sample. We found that 24 (14%) of these forms had no initials or signature on the "Approved by" line, which is supposed to be completed by a supervisor after he or she has reviewed the transaction, and 22 (12.8%) of the forms had no entry on the "Customer" line. That line should be either signed by the patron whose fee is being waived or, as we recommended in our 1998 audit of the Library system, contain an entry indicating how the transaction occurred if the customer was not present to sign the waiver form. On at least one of these forms, both the "Approved by" line and the "Customer" line were not completed.

The supervisor approval and customer signature are two key internal controls for the waiver process. Without these controls, there is opportunity for an employee to actually accept payment for a fee or fine, but then waive the fee or fine in the Dynix system and divert the funds to personal use. As a further control, Library management could perform a reconciliation between amounts waived according to the waiver forms and amounts waived according to the Dynix system. This could be done on random days each month, similar to the reconciliation of fines collected per the cash registers to fines collected per Dynix that is already done.

RECOMMENDATIONS:

1. ***We recommend that the Circulation Supervisor reemphasize the importance of obtaining a supervisor's approval and ensuring that there is an entry on the Customer line for all Fine and Fee Waiver forms completed at the South Jordan Library.***
2. ***We recommend that Library management perform a Fine and Fee Waiver reconciliation on some random days each month, as described above, and follow-up as necessary on any problems identified by the reconciliation.***

Void procedures were not always completed correctly. To correctly void an invalid transaction on the cash registers at South Jordan, cashiers must have a supervisor insert a key into the register. This key is then turned to the “Void” position to produce a valid void receipt. By following this procedure, the original transaction is properly offset by the void entry on the register’s collection record for that day.

In addition to the key accessed “Void” position described above, the cash register that is used the most at South Jordan has a button on it that is marked “Void” as well. This button can be hit to accomplish an apparent reversal of the most recent register entry. However, when this button is used, the original transaction is not offset, and remains on that day’s collection record.

This attempted void method was used for two of the 10 voids (20%) that occurred on days in our random sample. The two transactions, one for \$8.99 and the other for \$19.95, were, in effect, not actually voided. This is contrary to Countywide Policy #1062, section 3.5.2.1 which states, “*When errors are made on receipts,...the erroneous receipt should be voided, and a correct receipt issued*”. These incorrectly voided transactions created an \$8.99 shortage on one day and caused \$19.95 of a \$20.25 shortage on another day.

In addition, one other of the 10 voids on days in our sample had no supervisor entry on the void form to indicate approval. Supervisory review and approval of all voids is also required by Countywide Policy #1062, in section 3.5.2.2. In addition to the shortage problems described above, the improper handling of voids, including not obtaining proper approval, creates a situation wherein funds could easily be diverted to personal use.

RECOMMENDATIONS:

- 1. We recommend that branch management prohibit Library personnel from using the “Void” button on the cash register.***
- 2. We recommend that all voids be approved by a supervisor that is independent of the transaction, with the approving supervisor ensuring that the correct void procedure, through use of a manager’s key, has been completed .***

Refunds were given out of funds that were receipted the same day. During our review at the South Jordan Library, we noted that refunds were given out of the current day’s collections on three of the 36 days in our random sample. We discussed this situation with Library personnel and they informed us that it is Library policy to issue cash refunds of less than five dollars out of the current day’s receipted funds. This policy runs counter to Countywide Policy #1062, Section 4.1.1, which states that, “*Cash disbursements such as refunds...etc. will not be made from agency revenue receipts*”. In

order to continue the practice of issuing these small dollar refunds in this manner, the Library should request a formal exception to the Management of Public Funds policy.

RECOMMENDATION:

We recommend that the Library request an exception to Countywide Policy #1062 allowing them to issue cash refunds of less than \$5 out of the current day's received funds. This request should be submitted to the County Steering Committee for consideration.

FIXED AND CONTROLLED ASSETS

A fixed asset is an item of real or personal property owned by the County which meets the criteria for capitalization and has an estimated life expectancy of more than one year. A controlled asset is a personal property item, which is sensitive to conversion to personal use, generally having a cost of \$100 or greater (some specified items are considered controlled assets regardless of their cost), but less than the current capitalization rate. These items are not tracked centrally by the Auditor's Office as fixed assets are, but are the responsibility of the organization possessing them. The recent increase in the capitalization rate from \$3,000 to \$5,000 further increases the importance of County organizations properly accounting for their controlled assets.

During our audit, we performed a 100% inventory of the branch's non-computer related controlled assets, as listed on a controlled asset inventory log provided to us by the Branch Manager. In addition, we inventoried a random sample of computer-related controlled assets assigned to South Jordan, according to Library records that were provided to us by the Library Tech Support staff. We also reviewed other controlled asset management practices for compliance with provisions in Countywide Policy #1125, "Safeguarding Property/Assets." There were no fixed asset equipment items listed on Auditor's Office records as being at the South Jordan Library. Our most significant findings related to controlled assets at the South Jordan Library were:

- **Controlled asset inventory lists do not contain an accountability statement that assigns responsibility for the listed assets.**
- **The list of non-computer related controlled assets was incomplete and in some cases inaccurate.**

Controlled asset inventory lists do not contain an accountability statement that assigns responsibility for the listed assets. Countywide Policy #1125 requires the use of either two different Controlled Asset Inventory Forms, one for employees and one for the organization, or, "*forms that contain substantially the same information*". A key aspect of the prescribed forms is the certification

which, as section 4.3.3 of the policy describes, “states that the employee (for assets assigned to employees), and the Property Manager (for assets not assigned to individual employees) are accountable for all property assigned to them.” These forms require that the employee or Property Manager sign to acknowledge their acceptance of accountability.

An accountant at Library Administration maintains a list of the non-computer related controlled assets on a spreadsheet. A technician in the Library Tech Support section maintains a list of the computer-related controlled assets on a database. Printouts of these lists essentially become the branch’s controlled asset forms. However, these forms do not list a person that is responsible for each asset, nor do they contain a certification statement with signature line. Signing to indicate acceptance of responsibility for assets increases the importance to the signer of properly accounting for those assets.

RECOMMENDATIONS:

- 1. We recommend that the Library either begin using the prescribed Controlled Asset Inventory Forms or add a certification statement with signature line to their spreadsheets/database in a manner that will allow the statement to appear on each location printout.*
- 2. We recommend that individual employees be listed on the controlled asset forms and sign the certification statement as the responsible person for assets in their control.*
- 3. We recommend that the Branch Manager be listed on the controlled asset forms and sign the certification statement as the responsible person for assets at their branch that are not assigned to individual employees.*

The list of non-computer related controlled assets was incomplete and in some cases inaccurate. During our inventory of the controlled assets, we could not locate one Sharp copier that was listed on the non-computer related controlled asset spreadsheet provided to us by the Branch Manager. Another Sharp copier listed on the spreadsheet was present at the branch, however the Library bar code on the copier did not match the bar code number listed on the spreadsheet for that asset. In addition, a turntable was listed on the controlled assets spreadsheet, however, the turntable which we located at the branch was a different make and model, and had a different bar code number, than what was recorded on the spreadsheet. We also found five non-computer related items at the library, with Library bar codes attached to them, which were not recorded on the spreadsheet.

Non-computer related controlled asset inventory procedures at the libraries call for the Branch Manager to complete an annual inventory of those assets at their branch. They then submit this information to the accountant at Library administration who updates and maintains the controlled asset

spreadsheets. At least four of the five bar-coded items that were not recorded on the spreadsheet had been listed at one time or another on a inventory sheet submitted to the accountant by the Branch Manager. In addition, the correct copier bar code number and turntable information had also been included on a previously submitted inventory sheet.

However, neither the Branch Manager nor the accountant appear to refer to prior inventory submissions when they respectively inventory the assets and update the records. Consequently, the inventory records are not consistently accurate, as items may appear, disappear, then reappear from one year to the next based on the completeness of the most recent inventory.

In addition, the transfer of assets is not recorded in a timely manner. For example, staff at the South Jordan branch stated that the listed copier which we could not locate may have been the copier they had prior to receiving the one now there. They stated that the prior copier had been taken by Library facilities personnel, possibly to the newly opened Herriman branch. However, we checked on the copier at that location and it was not the one listed on the South Jordan spreadsheet. When assets are removed from a library, the Branch Manager should ask the facilities personnel where the item is being moved to, then make an annotation in the "Notes" section of his or her copy of the spreadsheet that indicates where the asset was taken.

Library facilities personnel usually move assets under the direction of the Library Fiscal Manager. When movements occur, both the fiscal manager and the branch manager should inform the accountant so he can update the controlled asset spreadsheet. Once the update is completed, the accountant should distribute a new controlled asset spreadsheet printout to the Branch Manager. Timely control over controlled assets is required by Countywide Policy #1125. Failure to exercise these controls creates an environment wherein items are difficult to find and, consequently, could more easily be converted to personal use.

RECOMMENDATIONS:

- 1. We recommend that the Branch Manager and accountant refer to prior inventory submissions when conducting controlled asset inventories and updating controlled asset records to ensure that all assets are properly accounted for and included.***
- 2. We recommend that Branch Managers note and record the removal of assets from their branch and inform the accountant of these movements in a timely manner.***
- 3. We recommend that the Fiscal Manager also notify the accountant of asset movements and that, based on the received information, the accountant update and distribute controlled asset spreadsheets in a timely manner.***

James Cooper, Director

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In closing, I would like to express appreciation to the South Jordan Library and Library administration staff for the cooperation and timely assistance they gave to our auditors. I trust that our work will be of benefit to you as you endeavor to make changes that will strengthen internal controls at the South Jordan branch and the other libraries. If we can be of further assistance to you in this regard, please give me a call.

Sincerely,

James B. Wightman, CPA
Director of Internal Audit

cc: Mike Stoker
Phyllis Jones