



SALT LAKE COUNTY AUDITOR'S OFFICE

SEAN THOMAS

May 2, 2005

James D. Cooper, Director
Salt Lake County Library System
Whitmore Library
2197 Ft. Union Blvd.
Salt Lake City, UT 84121-3188

RE: West Valley Library Cash Audit

Dear Jim:

We recently completed an audit of cash receipting and depositing, and fixed and controlled asset management at the West Valley Library. Our audit criteria included guidelines for cash handling and depositing found in Countywide Policy #1062, "Management of Public Funds," and standards for managing fixed and controlled assets as found in Countywide Policy #1125, "Safeguarding Property/Assets." We examined cash handling and fixed and controlled asset management practices for compliance with provisions in these policies. In accordance with the areas examined during our audit, this letter is divided into two sections: 1) Cash Receipting and Depositing, and 2) Fixed and Controlled Asset Management.

CASH RECEIPTING AND DEPOSITING

We found cash receipting and depositing to be in compliance with Policy #1062. Checks were restrictively endorsed upon receipt, identification was requested from patrons who presented personal checks for payment of library fines and other fees, and bank deposits were made generally within three days from the time funds were collected. The Library has one cash register, and in February began receiving credit cards for payment of fines and other fees.

Our unannounced count of the cash register drawer showed that the funds counted balanced to the cash register tape totals exactly. We also counted coins and currency in the two copy machines at the library and found they were over by a total of \$3.45. The West Valley Library has no petty cash fund.

Policy #1062 requires the use of an over/short log. Section 2.5.3 of the policy states, "*All overages and shortages, regardless of the amount, must be recorded and reported daily by the agency on MPF Form 11, Cash Over/Short Log.*" The small amount of overs and shorts we observed at the West Valley Library were not recorded on an MPF Form 11. However, overs and shorts were shown on a monthly summary of daily deposits prepared by the Library administrative office at the Whitmore Library and delivered to West Valley Library. The purpose of MPF Form 11 is achieved through the monthly summary, and therefore, the library is considered to be in compliance.

As part of our audit, we selected a sample of deposits from 59 different days over the past year and compared the daily summary of cash receipts, as found on the cash register Z-tape, to the balancing sheet and the deposit slip copy. Overall, the deposit process was well organized and documented, and the lack of excessive overs and shorts demonstrated conscientious effort by library employees to accurately record all transactions. The West Valley Library prepares its own deposit and places funds in a sealed bag. Daily deposit bags from each of the branches are then transferred to the Whitmore Library and retrieved later by a bonded courier for delivery to the bank. During our review of cash handling, we found that:

- **The change fund custodian listed on the Auditor's Office records was not correct.**
- **The change fund was not counted and verified at the beginning of the day.**
- **Void slips were not reviewed and signed by a supervisor in all instances.**
- **Refunds were given out of revenue receipted the same day.**

The change fund custodian listed on the Auditor's Office records was not correct. We reviewed the "Salt Lake County Petty Cash and Other Imprest Accounts" report prepared by the Auditor's Office and discovered that the custodian listed for West Valley Library had transferred to a position at another library.

The change in custodian was not updated by submission of the MPF Form 2, "Request for Change or Establishment of Petty Cash or Other Imprest Funds." Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 4.1, states, "*Designating a custodian, and any subsequent changes of custodians, shall be processed by completing the MPF Form 2 from Countywide Policy 1062.*" Attachment A contains an example of MPF Form 2. Accurate custodial designation will assign proper responsibility for the library change fund. Failure to change the custodian's name was a simple oversight by the library.

RECOMMENDATION:

We recommend that the West Valley Library complete and send MPF Form 2 to the Auditor's Office to update the "Salt Lake County Cash and Other Imprest Accounts" report with the name of the current change fund custodian.

The change fund was not counted and verified at the beginning of the day. The cashier assigned to open the cash drawer for the day retrieved the change fund from the safe and placed the money in the cash drawer. The cash drawer was then inserted into the cash register. The cashier did not sign a document indicating transfer of possession of the change fund, nor did anyone in addition to the cashier verify the change fund total.

Policy #1062, Section 2.4.3, states, "*The Agency Cashier and each cashier will verify accountability for their cash advance daily. This will enable the cashiers to quickly detect and identify any discrepancies and promotes appropriate attention to control over and accountability for county funds.*" The change fund was not counted because of the fund's relatively small amount, \$113.65, and personnel's assumption of perpetual accuracy in the fund. However, failure to count the fund daily could result in any theft remaining undetected. Transfer and verification of change fund totals can be entered on an MPF Form 7 or a facsimile of that form. Attachment B contains an example of MPF Form 7. In addition to counting the change fund at

the end of the day, counting and verifying the fund at the beginning of each day will increase the likelihood that the change fund is accurate and protected.

RECOMMENDATION:

We recommend that at the start of each day, the cashier count the change fund and an independent employee verify the amount and the exchange by a signature on an MPF Form 7 or facsimile.

Void slips were not reviewed and signed by a supervisor in all instances. In our review of cash handling, we examined voided transactions to determine if they were completed in accordance with Policy #1062. We found that a void slip was completed for each void and that each void slip was signed by the cashier and attached to the voided receipt. However, we found five out of 20 void slips without a supervisor's signature indicating review of the voided transaction.

According to Policy #1062, Section 3.5.2.2, "A supervisor not involved with the transaction will review and sign the voided receipt along with the cashier who initiated the void." A legitimate transaction could be voided, and the corresponding funds stolen, if proper reviews are not in place. Voids were not reviewed due to a simple oversight. The Supervisor understood that all voids must have supervisory review and she was surprised by our finding. To increase control over cash funds, a supervisor should review the voided receipt and confirm approval of the transaction with a signature.

RECOMMENDATION:

We recommend that there be supervisory review of each voided transaction and that approval of the void be confirmed by the supervisor's signature.

Refunds were given out of revenue receipted the same day. During our review at the West Valley Library, we noted that some refunds were given out of the current day's collections. We discussed this condition with Library personnel and they provided us with a copy of Library policy instructing branches to issue cash refunds of less than five dollars out of the current day's receipted funds. This policy runs counter to Policy #1062, Section 4.1.1, which states, "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 Policy #1062, and allow cashiers to issue cash refunds of less than \$5 out of the current day's receipted funds. This request should be submitted to the County Steering Committee for consideration and approval.

FIXED AND CONTROLLED ASSET MANAGEMENT

To determine if fixed and controlled assets were adequately controlled and documented, we evaluated compliance with Policy #1125. A fixed asset is an item of real or personal property meeting the criteria for capitalization, having an estimated life expectancy of more than one year, and a cost equal to or greater than the existing capitalization rate, which is currently \$5,000. A

controlled asset is an item of personal property, easily converted to personal use and having a cost of \$100 or greater, but less than the capitalization rate. Additionally, personal communication equipment, such as pagers, cell phones, and radios, regardless of cost, are considered controlled assets.

The Library information services (I/S) office maintains the listing of computer items at all County libraries. We obtained a copy of the computer equipment listed at West Valley Library and selected a statistically significant sample of those assets to locate. We were able to find each item on our random sample.

We obtained a copy of the non-computer controlled assets at West Valley Library from Library administration. Because West Valley Library was assigned only 16 non-computer assets, we performed a complete inventory. We were able to find eight of the 16 assets. During our review of fixed and controlled assets, we found that:

- **A fixed asset transfer was not documented with a Form PM-2.**
- **Four controlled assets assigned to West Valley Library were located at Library Facilities Storage, and four controlled assets were not found.**

A fixed asset transfer was not documented with a Form PM-2. The West Valley Library was remodeled in 2003, and the library was closed for approximately nine months. At that time, a microfilm reader-printer was moved from the building. When the West Valley Library re-opened March 2004, that asset was not returned. The microfilm reader-printer was subsequently found at the Whitmore Library. The fixed asset list, as comprised in the Advantage Financial "Capital Asset Inventory by Organization" or AFIN0801 report, was not updated to recognize the transfer. No Form PM-2, "Salt Lake County Personal Property Transfer/Disposal/Internal Sale" was found.

At the end of 2004, the West Valley Library Director received a fixed asset list from administration and was asked to complete an inventory on those items. The Director reviewed the list, noted that the microfilm reader-printer was not at West Valley Library, and returned the list to administration. As of the end of last year, the microfilm reader-printer remained on the capital asset list. Assets transferred from one library to another should be documented using a Form PM-2, "Transfer/Disposal/Internal Sale" to ensure proper accounting for assets. Attachment C contains an example of Form PM-2. The AFIN0801 report should be updated to correctly reflect the location of the microfilm reader-printer.

RECOMMENDATION:

We recommend that the fixed asset list be updated to correctly reflect the location of the microfilm reader-printer and that a Form PM-2 be completed to document the transfer.

Four controlled assets assigned to West Valley Library were located at County Library Facilities storage, and four controlled assets were not found. The controlled assets list received from library administration recorded 16 assets assigned to West Valley Library. We performed a complete inventory of those assets and found eight of them. To search for the missing eight assets, we contacted the accountant in Library Administration. At his suggestion we contacted the Library Facilities Manager responsible for moving the assets when the library was remodeled. We found four of the eight missing assets at the County Library Storage Facility.

The four remaining assets were not located. These assets included a television, a VCR, a hanging rack and a wire display rack. Policy #1125, Section 2.2.3, states that a Property Manager's duties, in part, are to, "*Maintain records as to current physical location of all fixed assets and controlled assets within the organization's operational and/or physical custody.*" The Form PM-2 is used to note transfer or disposal of assets. No Forms PM-2 were found to verify disposition of the missing items. Failure to record the status and location of assets creates an environment wherein items are difficult to find and, consequently, could be converted more easily to personal use.

RECOMMENDATION:

We recommend that the controlled assets list be updated to reflect disposition of the eight assets and that a Form PM-2 be completed to recognize each transfer or disposal.

In closing we express appreciation to the staff at the West Valley Library for the cooperation and assistance they gave to us during our audit. The staff was both friendly and helpful in completing the project. We are confident that our work will be of benefit to you as you endeavor to make changes that will strengthen internal controls over cash handling activities and improved procedures regarding fixed and controlled assets throughout the Library System. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

James B. Wightman, CPA
Director, Internal Audit Division

cc: Michael Stoker
Margaret Mills
Chris Crowley
Linda Hamilton

**REQUEST FOR CHANGE
OR ESTABLISHMENT OF PETTY CASH
OR OTHER IMPREST FUNDS**

SECTION I -- IDENTIFICATION OF AGENCY AND CASHIER

NAME AND LOCATION OF AGENCY DIRECTOR: _____
ORGANIZATION NAME: _____
FUND NUMBER: _____
ORGANIZATION NUMBER: _____
ADDRESS: _____
PHONE NO.: _____

SECTION II -- ACTION REQUESTED

REQUEST FOR ESTABLISHMENT OF NEW ACCOUNT

Policy #1203 Ref.	Check One	
1.2	<input type="checkbox"/>	Petty Cash
1.3	<input type="checkbox"/>	Change Fund
1.4	<input type="checkbox"/>	Imprest Checking (Treasurer to determine bank)
2.1.2	 Custodian's Name _____
2.1.3	 Custodian's Title _____
	 Requested Imprest Amount \$ _____
	 Location / Address _____
	 Name of Responsible Cashier _____

REQUEST TO CHANGE AMOUNT, CUSTODIAN OR LOCATION

	Check One	
1.2	<input type="checkbox"/>	Petty Cash
1.3	<input type="checkbox"/>	Change Fund
1.4	<input type="checkbox"/>	Imprest Checking (Treasurer to determine bank)
	Check All That Apply	Name of Account
	<input type="checkbox"/> Custodian being replaced _____
2.1.2	<input type="checkbox"/> New Custodian _____
	<input type="checkbox"/> New Custodian's Title _____
2.1.3	<input type="checkbox"/> New Requested Amount _____
	<input type="checkbox"/> Effective Date _____
	<input type="checkbox"/> New Location Address _____
	<input type="checkbox"/> New Telephone Number _____
	<input type="checkbox"/> Name of New Responsible Cashier _____

AGENCY AUTHORIZATION

Effective Date of Designation _____	Agency Director or Designee _____
	Date -- Month, Day, and Year _____

AUDITOR'S AUTHORIZATION

Date _____	Auditor or Designee _____
	Date -- Month, Day, and Year _____

**REQUEST FOR CHANGE
OR ESTABLISHMENT OF PETTY CASH
OR OTHER IMPREST FUNDS**

(Continued)

SECTION III -- PURPOSE AND NEED

2.1.1 Please explain the Purpose and Need for Establishment or Change of Petty Cash, Change Fund or Imprest Checking Accounts:

2.1.4 **INTERNAL CONTROLS OVER ACCOUNT**

2.1.5 **ACCOUNTING DISTRIBUTION FOR REIMBURSEMENT CHARGES**

Fund	Agency	Organiza tion	Object	Activity
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_____	_____	_____	_____	_____
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2.1.6 **Estimated Total Annual Dollar Volume to be Spent From Fund**

2.1.6 **Estimated Number of Reimbursement Requests per Year**

SECTION VI – INSTRUCTIONS

- 2.1 1. This completed form is to be submitted to the Auditor's Office, Accounting and Operations Division.
- 2.3 2. All imprest accounts established as checking accounts should be interest-bearing accounts where feasible. Prior to opening an account with a commercial bank, the custodian shall contact the County Treasurer, who may provide guidance regarding which bank to use and may wish to sign on the account.
- 3. The custodian, upon receiving a warrant to establish the petty cash, change fund, or imprest checking account, shall insure that custodian's affidavit is completed and notarized as soon as possible. The Affidavit is to be submitted to the Auditor's Office, Accounting and Operations Division.
- 4. A Petty Cash, Change Fund, or Imprest Checking Account may be terminated using this form. Process as a change in the amount to -0- with no new custodian. Explain fully above. The entire amount in cash and vouchers, with a reimbursement request, should be delivered to the Auditor's Office, Accounting and Operations Division.

(This form must accompany MPF FORM 2 when making application to become a custodian of a petty cash or imprest fund.)

CUSTODIAN'S AFFIDAVIT

STATE OF UTAH

SS

COUNTY OF SALT LAKE

being duly sworn and upon oath, states as follows:

1. I accept custody of the foregoing Petty Cash, Fund or Imprest Checking Account;
2. I have received a copy of the Salt Lake Countywide Policy on Petty Cash and Other Imprest Funds (#1203) and the Salt Lake County Management of Public Funds Policy (#1062) and Procedures Manual and have read the same and understand the contents and requirements hereof;
3. I understand that I am responsible for the safekeeping of said fund and in the event of loss, due to any act or failure to act on my part, that I may be liable for repayment hereof.

Custodian Signature

Subscribed and sworn to before me

this _____ day of _____, 20 _____

Notary Public

My Commission Expires _____

Residing at _____

