

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY
BEN McADAMS, MAYOR



An Audit of the Key Controls of
West Jordan Library

July 22, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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July 22, 2013

Ben McAdams, Mayor
Salt Lake County
2001 S State St #N2100
Salt Lake City, UT 84114-4575

Re: An Audit of the Key Controls of West Jordan Library

Dear Mayor McAdams:

We recently completed an analysis of the financial records of West Jordan Library in compliance with Utah Code Ann. § 17-19a-204. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that we have identified as key to good financial management. We also sought to identify areas of material risk to determine whether we should commit more of our limited resources in further auditing or investigation. A report of our findings and recommendations is attached.

Our work was designed to provide reasonable but not absolute assurance that records were accurate and complete and that the system of internal controls was adequate. There may be inaccurate or incomplete financial records that were not selected for review. Further, there may also be instances of noncompliance in areas not examined.

We appreciate the time spent by the staff at West Jordan Library and the cooperation from Alexis Alires, Circulations Supervisor, Mari Kraft, Assistant Circulation Supervisor, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to West Jordan Library during our audit. The staff was friendly, courteous, and very helpful. We trust that the implementation of the recommendations will provide for more efficient operations and better safeguarded County assets. Please feel free to contact me with any questions.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By Anita C. Kasal
Deputy Auditor

cc: Jim Cooper, Library Director
Javaid M. Lal, Administrative and Fiscal Manager
Susan Spicer, Library Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of West Jordan Library. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that are key to good financial management. We also sought to identify areas of material risk.

Conclusion

The West Jordan Library has put into place key internal controls for managing public funds, safeguarding public assets, and payroll reporting. Most risks identified were minor and would not be expected to result in the material loss of County assets. Deficiencies in certain internal controls over the new waiver process, the change fund, and cash receipting procedures have a higher likelihood of leading to a loss of County property.

Findings, Recommendations, and Management Responses

Finding # 1 - Fine and fee waivers after March 31, 2013 were not signed by a staff member and not signed showing supervisor approval.

Risk Level: Moderate

Salt Lake County Library Agency Operating Standards and Procedures: Fine and Fee Waiver states:

"This form will need to be completed each time a fine is waived. The waiver must be explained fully and completely and the form must be signed by the patron and by the staff member and then approved by the supervisor."

The West Jordan Library waivers, as of April 1st, were transitioning from a manually prepared system to an electronically prepared system. A test was done of the electronically prepared waivers issued from April 1st to April 15th using the Library Agency waiver policy. The results showed that of 30 waivers examined, there were 21 waivers not signed by the cashier and 28 not signed by a supervisor.

When waivers that are issued to remove fines and fees are not signed by the staff or approved by the supervisor, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that electronic fine and fee waivers include an electronic signature of the staff member to verify they printed the waiver.

We recommend waivers show supervisor approval according to Library Agency operating standards and procedures.

Management Response

Action taken: Library IT department has added two signatures lines for patrons and library staff on the waiver receipts. All circulation supervisors have been advised to implement signatures on the receipt. The new electronic waiver receipt has a unique transaction ID #, name of staff member processing the waiver, patron name and account # as well transaction detail on the receipt. Any transaction over \$10 requires supervisor to authorize and sign the receipt.

Finding # 2 - Custodian named on the change fund was not modified (updated) for two years.

Risk Level: Moderate

Countywide Policy #1203 "Petty Cash and Other Imprest Funds," Section 3.1 and 3.1.1 states:

"Requests for New Account or Modifying an Existing Account...The requesting Agency shall complete MPF Form 2, 'Request for Modification or Establishment of Petty Cash, Change, or Other Imprest Fund.'"

The acting custodian of the West Jordan Library change fund is not the custodian of record in the report from Mayor's Finance. The prior custodian has not been employed at the library for two years.

When the current custodian of the change fund is not the custodian of record in the Mayor's Finance, funds are at a greater risk of being unrecoverable when lost, stolen, or diverted for personal use.

Recommendation

We recommend that Library Agency management update the custodian on the Mayor's Finance records by filing MPF Form 2.

Management Response

Action taken: A MPF Form 2 was submitted to the Mayor's Finance to update change fund custodian.

Finding # 3 - The location code for a capital asset (piano) was not updated.

Risk Level: Moderate

Countywide Policy #1125 "Safeguarding Property/Assets," Section 2.2.3 states that property managers are required 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 location code for the piano was the old library location code.

When the location of a capital assets is incorrect, assets are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the West Jordan Library update the location code on the piano.

Management Response

Action taken: The Mayor's Finance office maintains the library's capital asset list. The Mayor's Finance office has been informed of relocation of the piano. The Library has updated its records.

Finding # 4 - Cross-reference of two capital asset reports showed inconsistencies.

Risk Level: Moderate

Countywide Policy #1125 "Safeguarding Property/Assets," Section 2.2.3 states that property managers are required 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 capital asset inventory list provided from the Mayor's Office was cross-referenced with a capital asset inventory list provided by the Library Manager. Although the list provided by the Library Manager was helpful in being specific to the West Jordan Library, there were errors in descriptions, a missing asset, another library's asset listed, and undervalued assets.

When asset records are not accurately maintained, assets are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the specific capital asset inventory list for the West Jordan Library be maintained accurately.

Management Response

The Library will reconcile its capital asset inventory report with the AFIN reports during its mid-year inventory. The Library will also contact the Mayor's Finance office to update location codes on the AFIN report to property reflect physical location of capital assets and asset tags.

Finding # 5 - No fund transfer logs were used to document the change fund when it was retrieved from or returned to the safe.

Risk Level: Low

Countywide Policy #1062 "Management of Public Funds," Section 2.7.3 states:

"Cashiers shall sign an MPF Form 7, Fund Transfer Ledger, or similar log, each time they retrieve the change fund from the safe or lockbox; and return the fund to the safe or lockbox."

West Jordan Library staff did not use a log when the change fund was moved from the safe, when funds were collected from machines and placed in the safe, or when cashier drawers at the end-of-the day were placed in the safe.

When movement of funds is not documented, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that West Jordan Library use an MPF Form 7 "Fund Transfer Ledger" or similar log to record movement of the change fund and funds for depositing.

Management Response

Action taken: The West Jordan Library has implemented an access log when retrieving from or returning change fund to the safe.

Finding # 6 - Two computers were not listed on the West Jordan Library IT inventory list.

Risk Level: Low

Countywide Policy #1125 "Safeguarding Property/Assets," Section 2.2.3 requires property managers 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 West Jordan Library controlled asset IT inventory list was missing two computers.

When controlled asset lists are not properly maintained, assets are at greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that Library Agency IT update the West Jordan Library inventory list to include the two computers.

Management Response

Action taken: The Library IT department has updated its computer inventory list that now includes the computers previously not listed.

Finding # 7 - The Daily Cash Collections form lacked a second signature as evidence of review.

Risk Level: Low

Countywide Policy #1062 "Management of Public Funds," Section 4.2.2 states:

"The 'master' balance sheet shall be reviewed and reconciled to the bank deposit slip, and signed by another employee designated by Agency Management; and if possible, by an individual with equal or higher authority than the individual who prepared the deposit."

A second person did not document their review and reconciliation of the Agency receipt (bank deposit slip) and the Daily Cash Collections form.

When a cashier is also the deposit preparer, and no review or reconciliation is documented by a person of equal or higher authority, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that a second person (if possible, of equal or higher authority) review the deposit preparer's work, reconcile the Agency receipt, and verify their review by signing the Daily Cash Collections form.

Management Response

The Library Administration has the following compensating control: Library Fiscal Coordinator performs an off-site review of the deposits. The Coordinator receives a copy of the balance sheet (Daily Cash Collection Form) and bank deposit slip along with deposits in a tamper-proof bag. A master deposit is prepared after the review and a receipt confirmation is sent to the West Jordan Library staff for verification purposes.

Finding # 8 - "No sale" or "no money taken" transactions were not always documented.

Risk Level: Low

Library Agency Administrative Policy, Section 2.1.3.7.2 states:

"When it is necessary to make change from the cash register using 'No Sale' write a brief explanation on the receipt as to why it was made."

The West Jordan Library did not document with a receipt "no-sale" or "no money taken" transactions. In a 30 day review of deposits, 23 out of 117 "no sale" transactions had no documentation.

When cashiers can open their cash drawers without documenting the reason, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that West Jordan Library document each "no-sale" or "no money taken" transaction for review.

Management Response

Action taken: The Library staff has been instructed to stop using a new feature in the POS software that allowed the library staff to process "no sale" transaction without printing a receipt. The software company has been notified of this loophole. Currently, all "no sale" or "no money taken" type transactions require a receipt and an explanation.

Finding # 9 - An SAQ representing Library Agency management's compliance with PCI had not been completed and was not on file.

Risk Level: Low

Countywide Policy #1400-7 "Payment Card Industry Data Security Standard Policy," Section 3.0 states:

"Any County agency that accepts, processes, transmits or stores cardholder data using any County IT Resource or system shall comply with the Payment Card Industry Data Security Standard (PCI-DSS) in its entirety."

An SAQ representing Library Agency management's compliance with PCI had not been completed and was not on file. Library Agency is currently working on a system-wide compliance and they have a plan in place to complete Level-C compliance in 2013.

Not completing this self-evaluating questionnaire for PCI-DSS increases the risk of fines and an inability of accepting credit cards as payments.

Recommendation

We recommend that Library Agency management complete and sign an annual SAQ and that West Jordan Library keep a copy of the SAQ on file to show they are aware of and compliant with PCI requirements.

Management Response

Salt Lake County Library's IT department is working on a system-wide PCI compliance process. The Library is currently at 78% completion on SAQ-C certificate based on data from a third party PCI scanning service. A plan is in place to complete Level-C compliance in 2013. West Jordan Library is not directly responsible for an SAQ and compliance with PCI.

Finding # 10 - Waivers after March 31, 2013, were not provided in a duplicate (identical) form.

Risk Level: Low

Salt Lake County Library Agency Operating Standards and Procedures, Fine and Fee Waiver states:

"[A]...copy [of the waiver] must be given to the patron as proof that the fines or fees, or a portion thereof, has been waived."

The West Jordan Library's new electronic system weakens the receipt provided to the patron. Under the new electronic system, a waiver only prints one copy and to obtain a copy for the patron the transaction is reprinted. Although, most all of the information contained on the original is on the reprinted receipt, the library contact information is not on the reprinted receipt. Furthermore, the copy of the waiver given to the patron doesn't show the supervisor's approval.

When patron waivers are different from the originals and they have no supervisor approval (signature), the integrity of the patron waiver receipt is compromised.

Recommendation

We recommend that the West Jordan Library duplicate the waiver, as with credit card transactions, and show supervisor approval.

Management Response

The Library management believes that the new electronic waiver provides a better control when processing a waiver. The new waiver has a unique transaction ID, name of staff member processing the waiver, patron name and account #, line-item transaction detail and patron/staff signatures on the receipt. Majority of patrons do not want a copy of their waiver receipt. The Library maintains original receipts are kept with the daily deposit. The Library will update its waiver policy to reflect electronic waivers.

Finding # 11 - No comprehensive software inventory was on file.

Risk Level: Low

Countywide Policy #1400-3 "Information Technology Security Policy: Software Licensing Policy," Section 3.5 states:

"County agency management shall maintain a current software inventory which includes at least the following: number of authorized and actual installations, license agreement, and proof of purchase. County agency management shall conduct an annual review of their software inventory. Software inventories shall be updated whenever new software is acquired and/or installed or software is uninstalled, or the IT resource and/or system is transferred, decommissioned or sent to surplus."

Salt Lake County Library Agency management has completed most of a software inventory. The Library Technology department project for the number of actual installations is underway in 2013 using the KACE inventory tracking system.

When a software inventory is not maintained, there is an increased risk of unlicensed software on West Jordan Library computers, which could result in fines and penalties. In addition, available software licenses may not be fully utilized.

Recommendation

We recommend that Library Agency management complete and maintain their software inventory.

Management Response

The Library Technology department maintains an inventory of authorized installations, license agreements, and proof of purchase. The number of actual installation project is underway in 2013 using KACE inventory tracking system. The Library also plans to install Windows 7 on all library computers with improved ability to restrict software installation on library computers.

Finding # 12 - Cashiers were not accountable for overages or shortages.

Risk Level: Low

Countywide Policy #1062 "Management of Public Funds," Section 5.3.1 states:

"All overages and shortages, regardless of the amount, should be recorded daily by each Cashier on MPF Form 11, Cash Over/Short Log. When a significant shortage or a pattern of shortages occurs in the accounts of any Cashier, Agency Management shall conduct an investigation of the circumstances and report their findings to the [Mayor's Office]. This reporting can be accomplished informally by email."

The West Jordan Library cashiers did not balance their cash drawers when changing shifts. Accountability of cash outages could not be identified to individuals.

When cash overages and shortages are not reported by the individual cashiers, then Agency Management will not be able to determine when a significant pattern of shortages occurs for a cashier.

Recommendation

We recommend that each cashier daily record any overages or shortages on MPF Form 11.

Management Response

Due to low volume and low monetary value of transactions, West Jordan Library staff and Library Fiscal department staff reviews all shortages and overage in the aggregate on daily basis. All outages over \$2 are reviewed and investigated to identify patterns. It would not be cost-effective for the library to assign a dedicated cashier to each cash register. The Library staff is cross-trained in different areas of library operations to better utilize their time and to provide better customer service.

Finding # 13 - A customer receipt obtained in a voided transaction was not marked "VOID."

Risk Level: Low

Regarding copies of voided receipts, Countywide Policy #1062 "Management of Public Funds," Section 3.7 states :

"All copies will be marked "VOID," including the customer copy, if available. The cashier initiating the voided transaction will document, on the front of the voided receipt, the cause of the voided transaction and its resolution."

The customer copy of a voided receipt was not marked "VOID" in deposit documentation.

When receipts are voided and all copies are not marked as "VOID," funds remain at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that West Jordan Library mark all copies of available receipts as "VOID" when voiding a transaction.

Management Response

Action taken: West Jordan Library staff have been instructed to follow the Countywide Policy# 1062, Sec. 3.7 and mark voided transactions as "VOID." The Library Circ. Supervisor has provided necessary training to all cashiering staff.

Additional Information

Background

The West Jorday Library is located at 8030 South 1825 West, West Jordan, Utah. The mission of Salt Lake County Library Services is to make a positive difference in the lives of customers by responsively providing materials, information and services at community libraries located throughout the Salt Lake Valley. In early 1939, the Salt Lake County Library opened in two rooms of the old Midvale School. Today over 70% of area residents hold a library card. Serving the needs of a growing and diverse population, Salt Lake County operates 19 libraries and two reading rooms. Advancements in library technology has allowed express check-in at several locations, self-checkout at all libraries and access to the world of electronic information through a new library website.

Scope

Our work included a formal examination of financial records related to the following key internal controls, to the degree applicable:

- Change fund
- Petty Cash and Imprest Accounts
- Cash Receipting
- Cash Depositing
- Credit / Debit Card
- Capital and Controlled Assets and Software Inventory
- Financial Computer Controls
- Purchasing Card Use
- Payroll Practices

Our examination period covered up to twelve months ending April 15, 2013. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices.