

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



An Audit of the Key Controls of
West Jordan Library

June 12, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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June 12, 2014

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 Susan Spicer, Mari Kraft, Alexis Alires, 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 Todd Livingston
Deputy Auditor

cc: Jim Cooper, Library Services Director
April Townsend, Associate Director Finance & Operations
Susan Spicer, West Jordan Library Manager

GREGORY P. HAWKINS
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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 several key controls for managing public funds. Most risks identified were minor and not expected to result in material loss. Deficiencies in internal controls over segregation of duties, cash receipting, cash depositing, and PCI compliance have a higher likelihood of being a liability to the County. A report of the last audit of the West Jordan Library was released to the public in July 2013.

Findings and Recommendations

Finding # 1 - Employees working as cashiers also prepared the deposit.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," states in the introduction:

"In managing public funds, basic internal controls require a clear segregation of duties between persons having custody of funds and/or performing cashiering duties, and those having access to and maintaining accounting records related to those public funds. Segregating these functions protects the employees involved and mitigates the risk of theft, embezzlement, or misuse of public funds through fraudulent record keeping. Supervisory oversight enforces the separation of duties, creates an atmosphere of employee accountability, and strengthens the control environment."

Employees that performed cashiering duties also prepared the daily deposit.

When depositing duties are not segregated from cashiering duties, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the deposit be prepared by an employee who does not perform cashiering duties.

Finding # 2 - Individual accountability was not established for funds entrusted to each cashier.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Section 2.3.1 states:

"The County Agency's Fiscal Manager will ensure that individual accountability and effective security is established and maintained for funds entrusted to each Cashier."

A previous audit conducted in 2013 found that multiple cashiers used the same cash drawer. A retest showed that multiple cashiers continue to use the same cash drawer throughout the day without establishing individual accountability by properly closing out the cash drawer and verifying the accuracy of the funds entrusted to them.

When individual accountability is not established for funds entrusted to each cashier, overages and shortages cannot be assigned to a particular cashier. Also, cashiers may feel less responsible than they would if they were individually accountable for funds entrusted to them. Additionally, access by multiple cashiers to the same cash drawer increases the risk of funds being lost, stolen, or diverted for personal use.

Recommendation

We recommend that individual accountability be established for funds entrusted to each cashier.

Finding # 3 - The cash drawer can be opened without an electronic record of the transaction.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Section 2.4.1 states:

"Each Agency shall acquire and maintain the systems and equipment necessary for the accurate receipting, recording, accounting, and safekeeping of public money."

The Library point-of-sale system allows cashiers to open the cash drawer without an electronic record of the transaction.

When a cash drawer can be opened without recording the transaction, accurate receipting, recording, accounting, or safekeeping of public money cannot be established.

Recommendation

We recommend that all transactions conducted on the point-of-sale system create an accurate receipting, recording, and accounting of public money.

Finding # 4 - A Library Agency Operating Standards and Procedures policy was outdated.

Risk Level: Moderate

Countywide Policy #1000, "Department/Division and/or Section Policy Implementation Procedure," Section 1.1 states:

"Offices, departments, divisions and sections within the County are responsible for policies that relate solely to their operations. These responsibilities include the implementation, modification, and distribution of policies, which must conform to existing departmental and Countywide policies and procedures, ordinances and State laws."

Section 3.4 states:

"Offices, departments, divisions and sections shall be responsible for ensuring that standard operating manuals are kept current and are made readily available to all employees affected thereby."

Salt Lake County Library Agency Operating Standards and Procedures: Fine and Fee Waiver requires a form to be completed each time a fine is waived. Due to an updated system, Salt Lake County Library Services no longer uses a fee waiver form when conducting fee waivers.

When policy is not updated, internal controls may become weakened or nonexistent. Furthermore, without current instruction addressing day-to-day operations and issues, employees do not have guidance as to how to properly conduct transactions.

Recommendation

We recommend that the policy regarding Library Fee Waivers be updated.

Finding # 5 - Fee Waivers were not always handled in accordance with library policy.

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."

A previous audit conducted in 2013 found that waivers were not consistently signed by the patron, cashier, and supervisor. A retest showed that waivers were still not consistently signed by the patron, cashier, and supervisor.

When fee waivers are not signed by patrons, staff, and/or supervisors, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that fee waivers be signed by the patron and by the staff member and then approved by the supervisor.

Finding # 6 - Internal controls over payments received through the mail were not adequate.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.1.5 states:

"Agency Management and Fiscal Managers shall establish internal control procedures tailored to their operational requirements. These controls should be designed to prevent payments by check through the mail from being lost, stolen, or diverted to personal use."

Although checks received through the mail are recorded on a log, only one employee opened the mail, and the same employee who received payments through the mail also processed the transactions.

When checks received by mail are not properly safeguarded and documented, they are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the duties of posting and receiving payments be separated, and the mail be opened in the presence of two persons.

Finding # 7 - Deposits were not always made in a timely manner.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 4.1.2 states:

"As required by § 51-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practicable, but no later than three days after receipt."

We found that 13 of the 30 deposits reviewed were deposited more than three days after receipt of collections.

When funds are not deposited on a timely basis, they are more susceptible to loss or theft. In addition, interest is lost that would otherwise be accrued.

Recommendation

We recommend that funds be deposited on the same day, whenever practicable, but no later than three days after receipt.

Action Taken: The West Jordan Library has recently changed its procedures to allow funds to be deposited on a daily basis.

Finding # 8 - An SAQ representing Library Services' compliance with PCI-DSS 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."

A previous audit conducted in 2013 found that an SAQ showing compliance with PCI-DSS had not been completed. A retest showed that an SAQ representing Library Services' compliance with PCI-DSS had still not been completed and was not on file.

An agency that is not compliant with PCI-DSS is at an increased risk of cardholder data breaches, fines, and loss of the ability to accept credit cards as payments.

Recommendation

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

Finding # 9 - The "Controlled Assets Inventory Form - Employee" was not used.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Sections 4.3 and 4.3.1 state:

"The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures. ... [The] 'Controlled Assets Inventory Form-Employee' is used for those assets that due to their nature, are used by and therefore readily assignable to an individual."

The "Controlled Assets Inventory Form-Employee" was not used to manage controlled assets that were assigned to employees.

When accountability for assets is not fully established, assets are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the West Jordan Library use the "Controlled Asset Inventory Form-Employee" to manage controlled assets readily assignable to an individual.

Additional Information

Background

The new West Jordan Library is located on the South side of Veteran's Memorial Park. The West Jordan library shares the facility with Salt Lake County Library System's Administration and the Viridian Event Center. The library offers a variety of programs including story time for children, family movie night, book discussion groups for all ages, and other amenities including Wi-Fi access, books, DVDs, music CDs, as well as audio books. There are two small meeting conference rooms available for meetings or study groups as well as various study areas throughout the library's perimeter. The West Jordan Library successfully accomplishes the mission of Salt Lake County Library services by making a positive difference in the lives of customers by responsively providing materials, information, and services at community libraries located throughout the Salt Lake Valley and/or via the Internet.

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
- Accounts Receivable
- Accounts Payable
- Third Party Contracts

Our examination period covered up to twelve months ending April 30, 2014. 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. Retesting of prior audit findings was also performed, where applicable.

Management response to findings in this report, when received, will be attached as Appendix A.



June 10, 2014

Gregory P. Hawkins
Salt Lake County Auditor
2001 S. State Street- N3300
Salt Lake City, UT 84190

HUMAN SERVICES
DEPARTMENT

"Making a positive
difference"

RE: Management Response to the Audit of the Key Controls of Salt
Lake County West Jordan Library

Dear Mr. Hawkins:

This letter is in response to the audit report of Salt Lake County West
Jordan Library. We'd like to thank Todd Livingston for planning and
completing the audit in accordance with Utah Code Ann. §17-19a-204.

As reflected in our responses, we are committed to strengthening our
internal financial controls and reasonably implement audit
recommendations.

If you have any questions or need any additional information, please feel
free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Cooper', is written over a printed name and title.

James D. Cooper
Director

JAMES D. COOPER
LIBRARY DIRECTOR
jimcooper@slcolibrary.org

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ADMINISTRATION**

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**Salt Lake County West Jordan Library
Management Response to the Audit Findings**

Salt Lake County Library management is ultimately responsible for implementing internal controls to protect assets. Information and to ensure policy objectives are achieved. The West Jordan Library conforms to the County policies and procedures as directed by the Library Management. All policies and procedures are implemented system-wide with few exceptions.

Finding # 1 - Employees working as cashiers also prepared the deposit.

Risk Level: Moderate

Recommendation:

We recommend that the deposit be prepared by an employee who does not perform cashiering duties.

Management Response:

Utmost effort is made to separate closing cashiers from the opening responsibilities or preparing deposits. However, due to limited staffing resources and scheduling conflicts this is not always feasible. Preparing deposits is primarily the responsibility of the Library Circulation Supervisor and Assistant Supervisor. The library believes that sufficient compensating controls are in place to mitigate any risks to public funds.

Finding # 2 - Individual accountability was not established for funds entrusted to each cashier.

Risk Level: Moderate

Recommendation

We recommend that individual accountability be established for funds entrusted to each cashier.

Management Response:

The library staff is cross-trained in different areas of library operations to better utilize their time and to provide better customer service. It would not be cost-effective for the library to assign a dedicated cashier to each cash register due to low volume and low monetary value of transactions. The Library Management will look into the practicability of implementing a mid-day cash count which would help in establishing cashier accountability.

Finding # 3 - The cash drawer can be opened without an electronic record of the transaction.

Risk Level: Moderate

Recommendation

We recommend that all transactions conducted on the point-of-sale system create an accurate receipting, recording, and accounting of public money.

Management Response:

The library's Point of Sale software has a built in feature that allows for the cash drawer to be opened without a transactions record. The library staff has been instructed to stop using this feature. The software company has been notified and a fix is expected in a future software release.

Finding # 4 – A Library Agency Operating Standards and Procedures policy was outdate.

Risk Level: Moderate

Recommendation:

We recommend that the policy regarding Library Fee Waivers be updated.

Management Response:

We concur with the finding. The Library Management will review and updated the Library Fee Waiver policy.

Finding # 5 – Fee waivers were not always handled in accordance with Library policy.

Risk Level: Moderate

Recommendation:

We recommend that fee waivers be signed by the patron and by the staff member and then approved by the supervisor.

Management Response:

The library has been advised to follow policy regarding signature requirements and has immediately begun implementation.

Finding # 6 – Internal controls over payments received through the mail were not adequate.

Risk Level: Low

Recommendation

We recommend that the duties of posting and receiving payments be separated, and the mail be opened in the presence of two persons.

Management Response:

The Library staff is required to keep a log of checks received in the mail. We will instruct staff that mail should be opened in the presence of two persons and to include proof of credit to

patron's account. The Library Management will be looking into the possibility of no longer accept checks.

Finding # 7- Deposits were not always made in timely manner.

Risk Level: Low

Recommendation:

We recommend that funds be deposited on the same day, whenever practicable but no later than three days after receipt.

Action Taken: The West Jordan Library has recently changed its procedures to allow funds to be deposited on a daily basis.

Management Response: No Finding

Finding # 8- An SAQ representing Library Services' compliance with PCI-DSS had not been completed and was not on file.

Risk Level: Low

Recommendation:

We recommend that Library Services' 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-DSS requirements.

Management Response:

Salt Lake County Library is currently seeking a system-wide PCI compliance. The Library is at 85% completion on SAQ-C certificate based on scanning data from a third party PCI scanning service. The Library is also working with the County Information Services to provided PCI Awareness training to library staff that handles credit card payments; training will be completed by staff by the end of August 2014.

Finding # 9- The "Controlled Assets Inventory Form- Employee" was not used.

Risk Level: Low

Recommendation:

We recommend that the West Jordan Library use the "Controlled Asset Inventory Form-Employee" to manage controlled assets readily assignable to an individual.

Management Response:

The majority of the West Jordan controlled assets have a shared use, therefore cannot be assigned to individual employees. The Library manager is ultimately responsible for custody of all assets. However, we will complete a Controlled Asset Inventory Form-Employee for assets that are assigned to an individual.
