

## Salt Lake County Auditor's Office

Craig B. Sorensen, *AUDITOR*



May 16, 2003

David L. Beck  
*Chief Deputy*

James Cooper, Director  
Salt Lake County Library System  
2197 Fort Union Blvd.  
Salt Lake City, Utah 84121-3188

*Salt Lake County  
Government Center  
2001 S. State Street  
Suite N2200  
Salt Lake City  
Utah 84190-1100  
Tel (801) 468-3381  
Fax (801) 468-3296*

Dear Jim,

The Audit Division recently completed an unannounced count of the change funds at the West Jordan Library. We also conducted a review of the Library's cash handling and fixed and controlled assets. We found internal controls to be generally adequate. The following sections of the letter address some areas that need improvement to strengthen internal controls over cash handling and safeguarding of fixed and controlled assets.

### **CASH RECEIPTING AND DEPOSITING**

Our audit included examining cash handling procedures to determine whether Countywide Policy #1062, "Management of Public Funds," was followed. Our unannounced count of the funds in the cash register drawer confirmed that it balanced to the cash register Z-tape total without exception. Additionally, we verified the amount of the change funds in the two copy machines. The West Jordan Library does not have a petty cash fund.

We found cash receipting and depositing to be generally in compliance with Countywide Policy #1062. Some of the controls which are in place include checks restrictively endorsed upon receipt, void slips prepared for voided transactions, tamper-proof deposit bags used for deposits, and bank deposits made within three days from the time funds were collected. During our review, we found a few areas where improvements could be made. Our findings in this area include the following:

- **Cash/check composition on the daily cash collections form did not always match the totals for cash and checks on the cash register Z-tape.**
- **Void slips were not always signed by the person initiating the void.**

- **The over/short log was not signed.**

**Cash/check composition on the daily cash collections form did not always match the totals for cash and checks on the cash register Z-tape.** We selected a sample of 36 deposits and examined the cash handling procedures. We found that the cash/check composition on the daily cash collections form did not match the composition on the cash register Z-tape for six of the deposits. Cash/check composition differences occur because occasionally cashiers enter the wrong form of payment when completing a transaction. The differences in the cash/check composition between the cash register Z-tapes and the daily cash collections forms were not large and occurred infrequently. However, when the cash/check composition of the daily cash collections does not match the composition on the cash register Z-tapes, it can indicate a manipulation of funds. Cashiers should be instructed in the importance of entering the correct form of payment for all transactions.

**RECOMMENDATION:**

*We recommend that cashiers be instructed in the importance of entering the correct form of payment for all transactions.*

**Void slips were not always signed by the person initiating the void.** During our review of cash handling, we examined voided transactions to determine if they were completed in accordance with Countywide Policy #1062, "Management of Public Funds." We found that a void slip was completed for each void, and each void slip was signed by a supervisor. According to Countywide Policy #1062, Section 3.5.2.2, *"The cashier who initiated the void will document on the front of the voided receipt the cause of the voided transaction and its resolution. A supervisor not involved with the transaction will review and sign the voided receipt along with the cashier who initiated the void."* Although all the void slips we reviewed had a supervisor's signature, we found that the cashier initiating the voided transaction was not always the one who completed the void slip and did not always sign the slip. To improve accounting control over the funds, the cashier who initiates the void should prepare the void slip, document the cause of the voided transaction, and sign the slip. The supervisor should then review the completed void slip and document the approval of the voided transaction with a signature.

**RECOMMENDATION:**

*We recommend that the cashier initiating a voided transaction prepare the void slip, document the cause of the voided transaction, and sign the slip.*

**The over/short log was not signed.** According to Countywide Policy #1062, Section 2.5.3, “All overages and shortages, regardless of the amount, must be recorded and reported daily by the agency on MPF Form 10, CASH OVER/SHORT LOG.” The advantage of using MPF Form 10 is that the form has an area for the agent cashier and the supervisor to sign the log documenting their review and approval of the amounts listed. Although the West Jordan Library staff do not use MPF Form 10 to record outages, the overs and shorts are tracked on a monthly deposit report summary which is prepared by the Library administrative staff at Whitmore Library. A copy of the summary is sent to the West Jordan Library following the end of the month. The daily outages for the cash register and the copy machines are listed on the summary. The monthly deposit report summary serves the same purpose as MPF Form 10. However, to establish better accounting control, the agent cashier and the supervisor should review the outages on the monthly deposit report summary and sign the summary to indicate review and approval of the amounts listed.

#### **RECOMMENDATION:**

***We recommend that the agent cashier and the supervisor review the monthly deposit report summary and sign the summary to indicate review and approval of the amounts listed for overs and shorts.***

#### **FIXED AND CONTROLLED ASSETS**

To determine if fixed and controlled assets are adequately controlled and accounted for, we evaluated the degree of compliance with Countywide Policy #1125, “Safeguarding Property/Assets.” 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, sensitive to conversion 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 to be controlled assets. We obtained copies of the fixed and controlled asset lists and conducted a physical inventory of assets at the West Jordan Library. During our review of the fixed and controlled assets, we found that:

- **The list of controlled assets maintained by the property manager is incomplete and in some cases inaccurate.**
- **The physical locations of some controlled assets listed on the controlled assets inventory list are not properly recorded.**

**The list of controlled assets maintained by the property manager is incomplete and in some cases inaccurate.** During our inventory of the controlled assets, we found ten computer items at the West Jordan Library which were not recorded on the controlled asset inventory list. We also found several items on the list which were not located at the Library. In addition, a copier, typewriter, and television were listed on the controlled assets list. However, the copier, typewriter, and television which we located at the West Jordan Library during our inventory had different bar code numbers than those recorded on the controlled assets list. The controlled assets which were on the list, but not found, and those which were found, but were not on the list, are shown in Attachment A.

According to the Library I/S staff, computer equipment is replaced immediately if an item malfunctions. The non-functioning item is transferred to the Whitmore Library where it is repaired. The item is then ready to transfer to another library that may need a replacement item. The constant transferring of equipment makes it difficult to maintain an accurate controlled assets list. However, assets cannot be safeguarded appropriately if the items have not been properly recorded on the controlled asset list. Additionally, controlled assets are sensitive to conversion to personal use when they are not closely tracked by management.

According to the property manager, the Library System staff performs an annual inventory. However, to sustain the controlled asset lists as reliable records for tracking assets, they should be maintained on an ongoing basis. Items should be added to the controlled assets inventory list as purchases occur or as assets are relocated. Accountability for controlled assets would be improved if management maintained the controlled asset records on an ongoing basis. The controlled assets inventory list should be continually updated as new items are purchased, transferred, or as items are surplus.

#### **RECOMMENDATION:**

***We recommend that the controlled asset inventory list be updated on a regular basis to accurately reflect the assets at the West Jordan Library.***

**The physical locations of some controlled assets listed on the controlled assets inventory list are not properly recorded.** We found that eight of the controlled assets on the controlled assets inventory list were in a different physical location of the library than that recorded on the list. According to Countywide Policy #1125, the property manager should maintain records as to current physical location of all fixed and controlled assets within the organization's operational custody. Control over the assets is improved when the physical location of assets is recorded on the controlled assets inventory list. Countywide Policy #1125, Section 4.3.6, states, "*Although it may be impractical to define exact locations on the forms in circumstances where property is used by*

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*more than one employee, or where it is frequently moved or reassigned, property managers should use exact locations whenever possible (and update them as needed) to establish better control.”*

**RECOMMENDATION:**

***We recommend that the property manager maintain an updated record of the physical location for all controlled assets on the controlled assets inventory list.***

We appreciate the cooperation and assistance we received from the West Jordan Library staff during our audit. 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 improve 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: Mike Stoker  
Nanette Alderman

**West Jordan Library  
Controlled Assets on List, But Not Found**

<b>Property Description</b>	<b>Make</b>	<b>Model</b>	<b>Serial Number</b>	<b>Physical Location</b>	<b>Bar Code Number</b>
Computer	Micron	PII 350	1464565-0041	Public Access	31181043425389
Computer	Mid Tower	PII 333	PII333/11	Public Access	31181043437301
HUB	Synoptics	2813	3929231	Back Room	31181043437343
HUB-16	Synoptics	2813	4229003	Back Room	31181048100656
Maxibar	UBI	100202-00-01	002912	Circ. Desk	31181043437426
Maxibar	UBI	100202-00-01	002308	Circ. Desk	31181043437434
Monitor	NEC		JC175VMA	#2	31181043424810
Monitor	View-sonic	15" Flat Panel	91502191124	Manager's Office	31181043452037
Overhead Projector	BUHL	80	C-114197	Auditorium	31181043422055
Scanner	Symbol	LS4004	L988047	Back Room	31181043439836
Terminal	Newo-ware	Winterm	yyyyy	#2	31181043441709
TV	Sharp	19LP36	333657	Auditorium	31181043422030
Copier	Sharp	AR-163	16504498	Copier Room	31181043409201
Typewriter	IBM	6783	11-0225697	Work Room	31181043402982
Aluminum Ladder	10 foot	NA	118752	Auditorium Closet	31181043402917

**West Jordan Library  
Controlled Assets Found, But Not on List**

<b>Property Description</b>	<b>Make</b>	<b>Bar Code Number</b>
Computer	Compaq	31181043451153
Computer	Compaq	31181043451252
Computer	Micron	31181043418442
HUB	Cisco	31181043441816
Monitor	Compaq	31181043429835
Monitor	Micron	31181043425389
Monitor	Viewsonic	31181043441691
Server		31181043440396
Scanner	Symbol	31181059463506
Terminal	WYSE	31181048100342
TV	Sharp	31181043402925
Copier	Sharp	31181043421982
Typewriter	IBM	31181043421990