

Salt Lake County Auditor's Office

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RE: Riverton Library Cash Audit

Dear Jim:

We recently completed an audit of cash and fixed and controlled assets at the Riverton Library. Our audit criteria encompassed guidelines for cash handling and depositing found in Countywide Policy #1062, "Management of Public Funds," and also standards for managing fixed and controlled assets as found in Countywide Policy #1125, "Safeguarding Property/Assets." We examined cash and fixed and controlled asset practices for compliance with provisions in these policies and for efficiency in accounting operations. In accordance with the areas examined during our audit, we have divided this letter 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 Countywide 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 within three days from the time funds were collected.

The Riverton Library has two cash registers, and two copy machines for public use. The authorized change fund, which we found to be at its designated limit, is spread between the cash registers and copy machines. Copy machines require 10¢ for each copy, and are leased to the library by a local office products company.

We conducted a surprise count of the cash register drawers, and found that money on hand matched the Z-tape summary of collections, both in total and by check and cash composition, without exception. We also counted coins and currency in the two copy machines at the library, and found them to be in balance within 50¢.

Countywide 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 10, CASH OVER/SHORT LOG.”* The infrequent and usually-small overs and shorts we observed at the Riverton Library were not recorded on an MPF Form 10. However, they were shown on a monthly summary of daily deposits prepared by the Library administrative office at Whitmore and delivered on a regular basis to the Riverton Branch. The same purpose envisioned in MPF Form 10 is achieved through the monthly summary, and therefore, the library is deemed to be in compliance.

As part of our audit, we selected a sample of deposits from 35 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. However, we did note three findings that should be brought to the attention of library staff:

- **A \$105 unexplained shortage occurred that showed the need for greater attention to detail.**
- **Cash/check composition errors occurred in our review of the collection and receipting process.**
- **Credit or debit cards were not being accepted as an additional payment option for patrons who owed money on outstanding fines and fees.**

A \$105 unexplained shortage occurred that showed the need for greater attention to detail. On closer examination, the Riverton Library did not subtract the \$136 change fund, kept in the two cash registers, from the currency amount recorded on the deposit slip. Obviously, the change fund remains in the library, and is not deposited. Though the shortage would seemingly be \$136, the person who prepared the deposit, for whatever reason, added an extra \$31 in cash, thereby creating the net shortage between the deposit slip and actual cash of \$105. The shortage is reported in a correction notice from the bank to the library.

The bank reported that it received currency of \$123. Balance sheets at the Riverton Library showed a total currency count of \$228, the amount also shown on the deposit slip. Subtracting the \$136 change fund from \$228 results in \$92 that should have been deposited, instead of \$123, or in other words, an excess of \$31 in cash deposited. Therefore, the difference was first a clerical error, causing a \$136 shortage, followed by an unexplained excess in deposited cash of \$31, for a net reported shortage of \$105.

The amount deposited should always equal the cash count shown on the balance sheet, less the change fund. We found two other instances of differences between the balance sheet and deposit slip, both of which showed less being deposited than what the balance sheet reported, though in nominal amounts of under \$5.00 each. In addition, one of the days from our sample did not have a valid Z-tape on file. Though balance sheets reviewed in this instance reported total collections of over \$300, the Z-tapes showed \$0, an obvious error that could have occurred because of cash register misuse or malfunction.

Deposit errors should be closely monitored, because in some instances they could signal or mask the diversion of funds to personal use. Overall, we were pleased with the well-organized and mathematically-correct deposit documentation at the Riverton Library. The few errors noted here should be a reminder to consistently follow the commendable deposit preparation practices that ordinarily take place at the library.

RECOMMENDATION:

1. *We recommend that the Riverton Library ensure that the deposit equals the balance sheet report of cash counted, less the change fund.*
2. *We recommend that a valid Z-tape summarizing cash register collections be kept on file with other deposit documentation.*

Cash/check composition errors occurred in our review of the collection and receipting process. A cash/check composition error occurs when a check is entered into the cash register as cash, or conversely, when cash is entered as a check. For example, a \$25 check not properly entered adds \$25 to the cash balance, instead of the check balance. At the end of the day, when comparing the tape total to the actual count of collections, checks appear over by \$25, and cash appears equally short.

During our audit we found cash/check composition errors in 6 out of 35 deposits we examined at the Riverton Library. While these errors were not frequent or large, ranging from \$2 to \$12, the necessity of correctly entering the composition on all transactions should be emphasized. Errors are bound to occur from time to time, but they could be an indication of a cash/check swapping scheme used to steal money. While such a scheme is not our concern at Riverton, the importance of correctly entering the composition of each transaction should be emphasized.

RECOMMENDATION:

We recommend that Riverton Library employees be reminded of the importance of entering the correct cash or check composition on all transactions.

Credit or debit cards were not being accepted as an additional payment option for patrons who owed money on outstanding fines and fees. The Riverton Library, as well as the county library system in its entirety, do not accept credit or debit cards as payment for fines and fees. Library management is exploring the possibility of a debit card system, but are still reluctant to accept credit cards because of perceived administrative duties and extra costs. Other County agencies that deal heavily in cash transactions with the public, including Parks and Recreation, and Health, now accept credit and debit cards.

The advantage of these cards is that patrons who feel short on cash might be willing to settle their library debt with a credit card, thus reducing accounts receivable and the need to collect on delinquent accounts. The library is losing money from what could be collected in debit or credit card payments, though an estimate of any loss was beyond the scope of this audit. Accounts receivable are handled by library administration, instead of individual branches, and may be the topic of further discussion in a subsequent audit. Library administration states that even though they have contacted the bank to set up a debit card system, the bank has been slow to respond. The library should continue its efforts to implement a debit or credit card payment system.

RECOMMENDATION:

We recommend that the library accept debit and credit card payments for fines and fees as a way to reduce accounts receivable and the cost of collecting on delinquent accounts.

FIXED AND CONTROLLED ASSETS

The Auditor's Office AFIN0801 report of fixed assets designates five land and building improvements to the Riverton Library, including such items as millwork, the parking lot, and development fees. Nothing is listed that could be counted or considered portable. However, Riverton does have a number of controlled assets, defined as items with a value greater than \$100, but less than the capitalization rate of \$5,000, and sensitive to conversion to personal use. Also included in controlled assets are cell phones and pagers, regardless of purchase cost.

As stated in a prior audit report, individual branches are not given oversight of computer equipment. Library administration does not provide them a list of computer equipment, nor do they expect the branches to conduct inventories on these items. Control rests solely with a small staff of information services personnel at library headquarters located in the Whitmore Library.

As a further division in responsibility for controlled assets, a central administrative officer maintains a list of all typewriters throughout the library system. Any other equipment not related to computers or typewriters is the responsibility of the local library branch. For Riverton, responsibility rests in four items—a microwave oven, a cash register, a paper shredder, and a paper cutter. The much-larger schedule of

computer equipment, maintained by library central management, has 107 items listed for Riverton, including 13 personal computers, and 46 monitors that in some cases are “dumb” terminals connected to a central server. Much of the computer equipment is for public use, either for accessing the Internet, using an application program such as Word, or for looking up information on the library’s catalogue system.

The efficiency of affixing a bar code to each controlled asset and maintaining all items in an Access database, as noted in a previous audit report, provides for easy management capabilities. Yet personnel constraints and organizational structure have created a few issues of concern as noted in the following findings:

- **The Riverton Library controlled assets list was missing some items that should be listed, and some items were listed that could not be located.**
- **An annual inventory of controlled assets was not being completed, as required by Countywide Policy 1125.**

The Riverton Library controlled assets list is missing some items that should be listed, and some items were listed that could not be located. We could not find four of the 107 computer items listed by library information services personnel for the Riverton Library. We conducted a complete inventory of this list, and were unable to locate a PC, two monitors, and two print servers.

In addition, we located eight items that should have been listed, but were not found on any controlled assets list. These comprised two CPUs, a copier, two printers, one of the two cash registers, and one of the 10 “Y-connectors” used to connect an electronic scanning wand to the server. All of these items, either not found or not listed, are shown in Attachment A at the end of this letter.

With nearly 20 branches now open in the library system, keeping track of controlled assets requires greater effort and attention. The small information services staff, that currently has oversight responsibility for computer equipment in all libraries, may not be able to effectively track this equipment due to time constraints arising from their primary duties of hardware and software system maintenance.

Also, maintaining three controlled assets lists for each branch—a computer, typewriter, and other controlled assets list—with three separate administrators, is fragmented, though not necessarily ineffective if it can be properly coordinated. A typewriter we found at Riverton we initially thought was not listed, but later found out that a library administrator maintained this separate typewriter list. As with many other county divisions, the tracking of controlled assets sometimes receives low priority. However, properly maintaining the controlled assets list, though tedious, is not excessively time-consuming if it can be done in an efficient manner.

RECOMMENDATION:

We recommend that the controlled assets list for the Riverton Library be updated to reflect items no longer on the premises, and items found but not listed.

An annual inventory of controlled assets was not being completed, as required by Countywide Policy 1125. The primary reason an inventory is not performed is the aforementioned centralized control over computer equipment by a small information services staff that has many duties other than tracking controlled assets. Library administration should structure the organization to allow for control at the branch level, or to determine that currently-assigned staff complete this task each year. Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.11 states, "*At least annually, conduct [a] physical inventory of fixed assets and controlled assets, to ensure complete accountability for all property owned by, or assigned to the organization.*" When an annual inventory is not completed, any theft of fixed and controlled assets may not be detected.

RECOMMENDATION:

We recommend that an annual inventory of fixed and controlled assets be conducted at the Riverton Library as a way of detecting any theft that might be occurring.

This audit is one of several that will be conducted at selected library branches throughout the County. Our office expresses appreciation to the attentive manager and staff at the Riverton Library whose professionalism helped us in completing our work. Also, library administrative staff have willingly provided us with needed information and documentation. Incorporating recommendations contained in this letter into operations at the Riverton Library will help to create greater operational efficiency and control over County assets.

Sincerely,

James B. Wightman, CPA
Director, Internal Audit Division

cc: Mike Stoker
Darin Butler

Riverton Library
Computer Equipment Listed at Riverton, but Not Found There

	Property Description	Make	Model	Serial	Bar Code Number
1	Jetdirect	HP	Jetdirect Ex Plus	SG82622712	33181048099577
2	Jetdirect	HP	Jetdirect Ex Plus	SG82622705	31181048098801
3	Terminal	WYSE	WY-150	OJE16C00897	31181043430231
4	Terminal	WYSE	WY-150	OJE18700559	31181043425066

Equipment Located at Riverton, but not listed on their Controlled Assets List

1	CPU	Micron	Millenia		31181048099312
2	CPU	Compaq	Deskpro		31181043451161
3	Copier	Sharp	SF2514		31181048098850
4	Printer	Epson			31181048098934
5	Printer	Epson			31181043440883
6	Cash Register				
7	Podium/Microphone				
8	Y-Connector				31181043440883