



SALT LAKE COUNTY AUDITOR'S OFFICE

SEAN THOMAS

August 4, 2005

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

RE: Holladay Library Cash Audit

Dear Jim:

We recently completed an audit of cash receipting and depositing, and fixed and controlled asset management at the Holladay 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 each of these areas, we evaluated the effectiveness of the internal control environment. Our work was designed to provide a reasonable, but not absolute, assurance that daily transactions were valid, accurate, and appropriate according to prescribed management policies. In accordance with the areas examined during our audit, this letter is divided into two sections: Cash Receipting and Depositing, and 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 were \$.05 cents short when compared to cash register tape totals. We also counted coins

and currency in the copy machine at the library and found it was over by a total of \$0.20. The Holladay 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.*” MPF Form 11 is included as Attachment A. The overs and shorts we observed at the Holladay 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 Holladay 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. The Holladay 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 was not counted and verified at the beginning of the day.**
- **Void slips were not reviewed and signed by a supervisor in all instances.**
- **The library did not retain a copy of the deposit slip sent to the bank and to administration.**
- **Refunds were given out of revenue receipted the same day.**
- **The combination to the safe has not been changed for several years.**
- **The large safe was not bolted to the floor.**

The change fund was not counted and verified at the beginning of the day.

At the end of the day, the cashier in charge removes all money from the cash drawer, places it into a bag and puts the bag in the large backroom safe. The cashier assigned to open the cash drawer at the beginning of the next 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.*” Personnel do not count the fund at the

start of each day because of its relatively small amount, \$132, 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, Form 7A, or a facsimile of those forms. An example of MPF Form 7 was given to the Circulation Supervisor for inclusion in the depositing process. MPF Form 7 is shown as Attachment B, and Form 7A as Attachment C. 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.

ACTION TAKEN:

The Circulation Supervisor was given a copy of the MPF Form 7 during the audit and it is now included in the routine of depositing the change fund into the cash drawer at the beginning of the day.

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 58 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 Circulation Supervisor is aware that 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.

The library did not retain a copy of the deposit slip sent to the bank and to administration. Countywide Policy #1062, Section 3.7.1.1, states, "The agency should prepare sufficient additional copies of deposit slips to accommodate agency record keeping needs and audit requirements." Because deposit slip copies were not attached to the deposit records, it was necessary to go to library administration at Whitmore Library to compare deposit slips to balance sheet and cash register reconciliations. Moreover, having a copy of the deposit slip attached to the deposit papers at the library would facilitate investigation of discrepancies.

ACTION TAKEN:

Since the review of deposit activity with the Circulation Supervisor, a copy of the deposit slip is attached to the deposit packet.

Refunds were given out of revenue receipted the same day. During our review at the Holladay Library, we noted two refunds given out of the current day's collections. From a previous audit, we obtained 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.

The combination to the safe has not been changed for several years. Policy #1062, Section 2.3.3 states, "*The combination to a safe or cashbox will be changed..... at least once a year and any time there is a change in incumbents in the positions of agency cashier or cashier.*" There are two safes in the back office of the Holladay Library. The safe in the wall is opened by combination. The combination is known by the Library Manager, the Circulation Supervisor, and two cashiers. The safe in the wall contains only keys: keys to the large safe and back-up keys to the book drop and the cash register. By not changing the combination every year or when employees leave, the change fund and daily revenues are at risk as there are several former employees who know the combination to the small safe. Additionally, the door leading into the front office is not locked from the public area, providing easy access. Holladay Library should follow County policy of changing the combination of all safes at least once a year and at each instance when a cashier or other person with knowledge of the combination leaves Holladay Library employment.

RECOMMENDATION:

We recommend that the combination of the safe be changed at least annually and more often as needed per Policy #1062.

The large safe was not bolted to the floor. Countywide Policy #1062, Section 2.5.6.2, states. "*Secure property as best possible, i.e., bolt safe to floor, lock cashbox in safe at night, keep all valuable property locked in a safe place.*" The large safe is opened by two keys, located in the small safe above it. Daily funds collected are deposited each evening in the drop safe located on the floor. The cashier retrieves funds from the safe in

the morning to put the change fund in the cash drawer and prepare the daily deposit. The large safe is not bolted to the floor. Should the large safe be stolen, there is risk of losing the change fund as well as the day's deposits.

RECOMMENDATION:

We recommend the large safe be bolted to the floor.

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.

We obtained a copy of the AFIN0801 Report, "Capital Asset Inventory by Organization/Location." The one asset recorded was the bronze statue located just outside the main door of the library. We verified that it was still in place.

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 Holladay Library and selected a statistically significant sample of those assets to locate. The list records the manufacturer, model and serial number as well as the location of the asset. We were able to find each item in our random sample at the location noted on the list.

We obtained a copy of the non-computer controlled assets at Holladay Library from Library administration. Because Holladay Library had only 13 non-computer assets on their list, we performed a complete inventory. We were able to find all 13 assets. At the time of the audit, a shredder, listed as located at the Circulation Desk, was found in the basement. A new shredder was at the Circulation Desk and did not have a tag attached. Library personnel attached a tag immediately and this action was verified at the next visit to the Holladay Library. We were informed by the Library Manager of the following:

- **Library Managers recently had been given a hand-held personal computer device as an aid to their function as library manager.**

Library Managers recently had been given a hand-held personal computer device as an aid to their function as library manager. In response to a question in the audit review regarding assigning controlled assets to individual employees, the Library Manager indicated that after the asset portion of the audit had been completed, he and

other Library Managers had been given a hand-held computer device. His question was whether the device should be on the Holladay Library controlled asset list, or tracked through Administration. We subsequently talked with the asset manager in library administration and he indicated the decision had not yet been made whether to control those devices through administration or through each individual library. All controlled assets must be accounted for, whether at each individual library, or by library administration. Hand-held devices such as the one recently distributed to library managers are subject to theft and should be carefully controlled. A decision should be made as to whom will have responsibility for those assets.

RECOMMENDATION:

We recommend that library administration determine responsibility for hand-held devices and comply with Policy #1125 by administration compiling a common list, or each library manager completing a "Controlled Assets List – Employee" and signing as responsible party.

In closing we express appreciation to the staff at the Holladay 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
Steve Pierson
Chris Crowley
Linda Hamilton

CASH OVER/SHORT LOG

MPF Form 11

DIVISION _____

MONTH/YEAR _____

EMPLOYEE _____

DAY	AMOUNT OVER/SHORT	INITIALS OF CASHIER
1		
2		
3		
4		
5		
6		
7		
8		
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31		
ACCUMULATIVE OVER/(SHORT)		\$ -

Approved by Agent Cashier _____

I have reviewed the above log for propriety and certify that any differences between cash received and deposited are listed above.

Supervisor's Signature _____

Title _____

FUND TRANSFER RECEIPT

DATE _____

AGENCY _____

NAME OF INDIVIDUAL TRANSFERRING FUNDS _____

AMOUNT TRANSFERRED _____

Loose Coins _____

Currency _____

Checks _____

Total _____

TRANSFERRED TO _____

Signature

Agency

mpf7A(8/90)

Original-Depositing Agency

Yellow-Courier

Pink-Transferring Agency