



SALT LAKE COUNTY AUDITOR'S OFFICE

SEAN THOMAS
Auditor

November 9, 2006

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

Re: Sandy Library Audit

Dear Jim:

We recently completed an unannounced count of the change fund at the Sandy Library. We also reviewed cash receipting and depositing, and capital and controlled asset management. Our audit criteria included guidelines for cash handling and depositing found in Countywide Policy #1062, "Management of Public Funds," and standards for managing capital and controlled assets found in Countywide Policy #1125, "Safeguarding Property/Assets." We noted several positive control activities in place at the time of our audit, including:

- Checks were restrictively endorsed and driver's license numbers had been recorded on the face of checks.
- Counts of funds were made throughout the day and money collected was transferred to the Library safe.
- During our unannounced count, cash and checks collected per the register balanced within 5 cents of funds on hand.
- Refunds were no longer given out of daily cash collections.
- Library staff was open to suggestions, professional, responsive and helpful.

Not all areas of the Library's operations were reviewed, including book and media inventory, purchasing, and accounts receivable. In addition, our review of deposits was done on a sample basis. Therefore, problems may have occurred in deposits that were not selected for review.

Some findings were discussed with Library personnel at the time of our audit and have not been included in this letter. More significant findings and recommendations are included below and have been divided into two sections: 1) Cash Receipting and Depositing, and 2) Capital and Controlled Assets.

CASH RECEIPTING AND DEPOSITING

The Library collects revenue for fines and fees resulting from late, lost or damaged library materials. They also conduct sales of obsolete or unwanted library materials, and they sell supplies, such as floppy disks and book bags. Copying and printing charges are also collected.

We selected a random sample of 37 days from August 2005 through July 2006, and reviewed each day's deposit. Friday and Saturday collections were combined into one deposit, meaning that two of the days in our sample, Friday, September 2nd and Saturday, September 3rd 2005 were contained in one deposit. Therefore, 36 deposits containing \$24,024 in cash, \$6,769 in checks and \$12,470 in credit cards—a total of \$43,263 were examined. The average deposit equaled \$1,202.

Cash and check overages and shortages ranged from a low of \$10.10 short to a high of \$4.29 over. An overage or shortage occurred on 34 of the 36 deposits examined. For 32 days, the cash or check variance was less than \$3.00.

During our previous audit of Sandy Library, dated September, 2003, concerns regarding individual accountability for cash drawers and separation of duties between accounting for funds and cashiering were expressed. Individual accountability for cash drawers has been an ongoing issue, communicated in several audits of the Library. Because Sandy Library is the busiest Library within the system, more funds are at risk.

In 1998 the Library responded to the Audit Division's recommendation that each cashier work from an individually assigned change fund, stating, "*Given staffing levels, increased work loads, the average amount of cash collected by individual staff, library mission and the limited equipment owned by the library, this is not feasible and will not be implemented.*" At that time, Policy #1062, Section 2.10.1, stated, "*All...cashiers will have their own cash drawers unless deemed impossible or unnecessary by the Agency in consultation with the Fund Management Committee.*" Since that time, this requirement has been dropped from policy. However, other provisions of Policy #1062, still in effect, such as individual cashier over/ short logs and the transfer of accountability of change funds to individual cashiers, documented on Form MPF 7A, cannot be fully complied with under the existing system.

While not an ideal control environment, Library management understands and has accepted the risk inherent in current operations after consideration of what they state to be the high cost of implementing use of separate cash drawers. Therefore, while the control weakness mentioned in the 2003 audit of Sandy Library is still in effect, no findings or recommendations regarding individual cash drawers have been included below. As mentioned, the majority of daily overages and shortages were less than \$3.00.

The following section includes our findings and recommendations in the area of cash receipting and depositing.

- **The computer record of patron collections was not always reconciled to amounts collected per the register.**
- **The majority of the Sandy Library's fine and fee waivers were for the return of missing items.**
- **The sequence of adjustment forms was not tracked.**
- **Ninety-nine percent of waiver forms examined were approved by a second party.**
- **Eighty-five percent of "no sale" transactions examined were not initialed.**
- **No balancing form was used to document funds collected per the revalue machine.**
- **The safe combination had not been changed for over one year.**

The computer record of patron collections was not always reconciled to amounts collected per the register. As noted in our September, 2006 audit of the South Jordan Library, and in other audits, there is a Library-wide lack of reconciliation between computerized patron records and cash and checks collected per the register. At the end of the day, Library personnel at the branches print a summary report of fines and fees paid, along with other revenues, per the cash register. Cash collected is then compared to the amount reported and an overage or shortage amount is computed. Patron records containing fines and fees paid or amounts waived are maintained in a separate, computerized system. No summary report of fines and fees paid per the computerized patron record is utilized at the branch level. Therefore, daily cash collected is not compared to the amounts entered into the patron's record.

Policy #1062, Section 2.3.1, states, "...each agency shall acquire and maintain the systems and equipment necessary for the accurate receipting, recording, accounting and safekeeping of public money." The current lack of systems integration represents a control weakness, in that payments made on the patron record and *not* entered into the cash register could have occurred and *remained undetected*. There is also no computerized summary report of amounts waived that is compared to amounts waived per Library adjustment forms.

The Auditor's Office recommended integration of cashiering and cataloging systems in an Audit report dated August 1998. Since that time Library management has pursued solutions that would mitigate the risk involved and comply with the recommendation.

A report that provides a total of fine and fee collections per the computer system was developed. This report is reconciled against register collections by the Library's Accountant, who selects one day per week for review. A cover memo created by the Accountant for the reconciliation report dated August 17, 2006, using July 3rd, 11th, 19th and 27th as sample dates, found that, "*Per this report 38% of the time more money is reported collected [per patron*

records] than in the cash registers, 30% of the time they are equal and 32% of the time more money is reported in the cash registers than in [patron records].” The differences between the patron record and register totals for Sandy Library can be seen in Table 1, below.

Sandy Library Fine and Fee Cash Receipts

Per Reconciliation Report Prepared by the Library Accountant, dated August 17, 2006

Date	Amount per Patron Records	Amount per Register	Difference
July 3, 2006	\$833.21	\$845.31	\$12.10
July 11, 2006	\$879.62	\$839.47	(\$40.15)
July 19, 2006	\$720.32	\$761.96	\$41.64
July 27, 2006	\$663.41	\$679.21	\$15.80

Table 1. *Sandy’s Library’s fines and fees collected per computerized records did not reconcile to amounts collected per the register on the days sampled.*

The memo concludes, “Continue to remind your staff to enter all transactions into the cash register and into the patron record.” Until recently, the report was communicated to the Library Director, the Fiscal Manager and Associate Directors. Branch managers did not receive a copy of the report.

The Library has also been in ongoing discussions with their current software vendor regarding the development of an integrated system. A second vendor has formed a strategic partnership with the current vendor to provide integrated cash receipting functionality. One hurdle toward achieving integration has been the approval of the proposed project by the Information Technology Review Committee, which the Library recently received. The Library expects to have a proposal out for bid within the next few months. We support the Library in the proposed acquisition and commend their efforts to eliminate the risk associated with separate cash receipting and patron record systems.

ACTION TAKEN:

A copy of the current reconciliation of sample days is now forwarded to the branch managers.

RECOMMENDATION:

We recommend that the Library continue to pursue an integrated cashiering and patron record system.

The majority of the Sandy Library’s fine and fee waivers were for the return of missing items. Library personnel must fill out a waiver form in order to waive a patron’s fine. The waiver form is pre-numbered and includes the name of the library, the patron’s library card

number, the amount being waived, the person authorizing and the person approving the waiver. The form lists the following reasons for waivers: 1) Library/ Computer Error, 2) Previous Payment, 3) Special Conditions, 4) Special Exception, 5) Negotiated Settlement, 6) Returned “Lost” Item, 7) Returned “Missing Part,” and 8) Other. Several lines are provided for further explanation and at the bottom of the form is a place for the patron’s signature. The form has two parts, the Library retains the top, white copy and the patron receives the yellow, carbon copy.

Within the sample of deposits a total of \$4,407 in fines and fees were waived and were documented on 590 waiver forms. One reason was indicated on 579 of the forms and two reasons were indicated on six of the forms, for a total of 591 reasons indicated. The remaining five forms had no reason indicated. The largest proportion of dollars, 42 percent, was waived due to the patron returning the “lost item” or “missing part.”¹ This circumstance was followed by “Negotiated Settlement,” with 16.5 percent of the total dollar amount. The breakdown of waiver forms by type can be seen in Table 2, below.

Sampled Fine and Fee Waiver Forms

	Quantity	% of Quantity	\$ Amount	% of \$ Amount
1. Library Error	146	24.5%	\$639.06	14.5%
2. Previous Pmt	3	0.5%	\$30.45	0.7%
3. Special Condition	45	7.6%	\$487.95	11.1%
4. Special Exception	22	3.7%	\$199.47	4.5%
5. Negotiated Settlement	66	11.1%	\$726.82	16.5%
6. Returned Lost Item	22	3.7%	\$207.45	4.7%
7. Returned Missing Part	245	41.1%	\$1,637.38	37.2%
8. Other	42	7.0%	\$452.56	10.3%
<i>No Reason Checked</i>	5	0.8%	\$26	0.6%
	596	100%	\$4,407.14	100.0%

} 42%

Table 2. *The majority of fines and fees were waived due to the return of missing materials.*

The amount waived per deposit averaged \$122. The fact that the majority of fine and fee waivers were completed due to returned items is a positive statement about Library collection activities.

The sequence of adjustment forms was not tracked. In each of the deposits examined, gaps were noted in the sequence of the pre-numbered fine and fee waiver forms. In most cases large gaps occurred, indicating that multiple adjustment form booklets were in use each day. In some cases one or two numbers within a sequence were missing.

Library personnel indicated that each register was assigned an adjustment book, with its own unique set of numbers. In addition, adjustments were sometimes made by personnel

¹ Where more than one reason was checked, the dollar amount was divided equally among the reasons indicated.

working in the back office, after phone contact with a patron. Sandy Library management stated that, under these circumstances, tracking the sequence of adjustment form numbers would be very difficult without interrupting the flow of business.

The total amount of fines waived per day was recorded at the bottom of the daily deposit form. However, in the absence of an integrated cashiering and patron record system, it was not possible to be certain that all adjustment forms were submitted for approval or included in the total.

Another control activity that would help mitigate this risk would be a reconciliation of the amount recorded as waived and included on the daily deposit form to the amounts waived per the computerized patron record. The Library Accountant could perform this second reconciliation along with the existing reconciliation of fines and fees collected per deposits, to fines and fees collected per the patron record. Greater training and supervisory efforts may also help to ensure that all adjustments are documented and submitted for approval. Where mistakes are made on a form, the form should be retained, marked "void," and kept with the numerical sequence attached to the deposit documentation.

RECOMMENDATIONS:

- 1. We recommend that the Library Accountant reconcile the amount reported as "waived" on the daily deposit form to the total recorded as "waived" in the patron record.*
- 2. We recommend that staff be continually reminded to retain and submit adjustment forms and that all voided forms be marked "void."*

Ninety-nine percent of waiver forms examined were approved by a second party. There were 591 adjustment forms within the sample of deposits examined, one of which was marked "void." Out the remaining forms, five did not contain a second set of initials on the "approved by" line. Finally, 124 forms, or 21 percent, were not signed by the customer. However, in all but four cases where the patron did not sign the form, Library personnel included a brief explanation for the absent signature, such as a transaction completed by "phone." Other explanations included, "not present," and "n/a." Table 3, on page 7, indicates the number of waiver forms that were properly approved.

**Sampled Fine and Fee Waiver Forms:
 Approvals and Customer Signatures**

	Yes	% Yes	No	% No	Total
“Authorized by” line was initialed	590	100%	0	0%	590
“Approved by” line was initialed	585	99%	5	1%	590
Customer signature was present	466	79%	124	21%	590
“Customer” line was empty	4	1%	586	99%	590

Table 3. *Sandy Library obtained the proper approval for 99 percent of waiver forms examined in our sample.*

Our sample reflected improvement over our previous audit of Sandy Library dated September, 2003. At that time, 8.7 percent of waiver forms had no approval initials or signature and 10.2 percent of the waiver forms had no entry on the “customer” or patron line. We commend Sandy Library for their improvement.

Eighty-five percent of “no sale” transactions examined were not initialed. Within our sample of deposits, we observed 164 “no sale” transactions, roughly 4.6 per deposit. “No sales” occur when the cash register is opened without completing a sale or issuing a receipt. For instance, a patron may request change, so the cashier may open the drawer and provide the patron four quarters in exchange for one dollar. We viewed the register tape for 95 of the 164 “no sale” transactions within our sample. Eighty-five percent were not initialed. Eighty-two percent were not documented with a brief explanation.

The Salt Lake County Library System, “Cash Handling Procedures,” Section 5.0, states, *“No Sales’ are discouraged. Change should not be made from the cash register unless absolutely necessary... When it is necessary to make change from the cash register using ‘No Sale’ write a brief explanation of why the ‘No Sale’ was done.”* When “no sales” are not documented and monitored, cashiers can more easily access, and possibly divert funds to personal use.

Library personnel were instructed to initial the internal register tape when completing a “no sale.” We found that the receipt printed by the register is physically easier to access than the internal register tape. Therefore, greater compliance with policy may be achieved by requiring cashiers to retain the external “no sale” receipt generated by the register. Cashiers should record a brief explanation for the “no sale” on the printed receipt. The register summary report indicates the number of “no sales” completed each day. The person preparing the deposit should ensure that all “no sale” receipts are retained with the deposit and have been documented with a brief explanation.

RECOMMENDATIONS:

- 1. We recommend that “no sale” receipts be retained and that a brief explanation be recorded on the receipt.*
- 2. We recommend that “no sale” receipts be kept with the day’s deposit documentation, and that the person preparing the deposit ensure that the number of “no sale” receipts matches the number on the register’s summary report.*

No balancing form was used to document funds collected per the revalue machine. In the spring of 2006, Sandy Library acquired a machine that patrons can use to put money on their Library card, and then print from the Library computers. The machine does not issue change, and therefore was not assigned a change fund. For most of the days sampled, collections from the machine were less than \$10.

Each day, a report of collections per the machine was printed. This report was attached to the deposit documentation. However, no balancing form was used to record the amount per the report in comparison with the amount of cash actually counted, and to recognize overages or shortages.

Policy #1062 states, “*Each day, all county agencies should balance collections to register (or receipt log) totals and prepare a deposit using MPF form 3 or a facsimile developed for the specific agency.*” Because no form was used, overages and shortages were difficult to document and explain.

Prior to our audit, the circulation manager for Sandy had designed a form that could be used to balance revalue machine collections. This form has been included as Attachment A. She indicated that she had submitted the form to the Library’s purchasing clerk, who then forwarded it for further discussion. Currently, however, branches are not required by Library administration to use a form. They are also not prohibited from doing so.

RECOMMENDATION:

We recommend that revalue machine collections be documented on a balancing form, in accordance with Countywide policy.

The safe combination had not been changed for over one year. According to Sandy Library’s circulation supervisor and branch manager, 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.*” By not changing the combination every year or when employees leave, the change fund and daily revenues are at risk, as former employees may

know the combination. Additionally, the door leading into the front office is not locked from the public area, providing easy access.

The large staff at Sandy Library means that one or more employees are typically working in the back room. This helps mitigate the risk of unauthorized access. However, the Library should change safe combinations at least once a year and at each instance when an employee with knowledge of the combination leaves employment.

RECOMMENDATION:

We recommend that the combination of the safe be changed at least annually, and more often as required, in accordance with Policy #1062.

CAPITAL AND CONTROLLED ASSETS

A capital asset is an item of real or personal property owned by the County which meets the criteria for capitalization, has a cost of \$5,000 or more and an estimated life expectancy of more than one year. A controlled asset is an item of personal property, which is sensitive to conversion to personal use and has a cost of \$100 to \$4,999. Controlled assets are not tracked centrally by the Auditor's Office as are capital assets. We reviewed Sandy Library's asset management practices for compliance with provisions in Countywide Policy #1125, "Safeguarding Property/Assets."

There was one capital asset listed on Auditor's Office records as being at the Sandy Library and it had been surplused during August 2006. The Library maintained three controlled asset lists. Non-computer related assets were tracked by the branch manager. This list contained 19 assets, not including furniture. Computer-related assets were tracked by a Library Information Services employee and contained 191 assets. Both the computer and non-computer related asset lists included the bar-coded asset tag, make, model and serial number. Finally, a list of maintenance equipment was maintained that contained three assets. This list also included serial number, make and model, but no bar-coded asset tag number.

We performed a full inventory of Sandy Library's assets and were able to locate 100 percent of the assets listed. In addition, the asset's recorded location was generally accurate, with some exceptions noted below. Our findings regarding management of controlled assets follow.

- **Seven assets were found that had not been listed on the controlled asset reports for Sandy.**
- **Two vacuums listed as being at Sandy were found at other library locations.**

- **The non-computer related controlled asset list for the Sandy Library was initialed by the branch manager but was lacking the required certification statement.**

Seven assets were found that had not been listed on the controlled asset reports for Sandy. As we conducted our inventory of Sandy's controlled assets, we noted assets that were not listed on the reports provided for our audit. Two hand-held scanners had not been listed and had no bar-coded asset tags attached. A laptop and computer found at Sandy were also not listed, but had bar-coded asset tags attached. Finally, three vacuums were noted at Sandy that were not found on the list provided for our audit.

Policy #1125, Sections 2.2 and 2.2.3, state, "...*Property Managers assigned by their Administrators are responsible for the following...Maintain records as to the current physical location of all fixed assets and all controlled assets within the organization's operational and/or physical custody.*" Assets are easy targets for conversion to personal use if they are not included on the controlled asset list or if they are listed at the wrong location.

The information services employee in charge of Sandy's computer-related equipment indicated that the laptop was listed at Smith Library, but had recently been moved to Sandy to facilitate a special project. The hand-held scanners were being used for the same project and had not been tagged before being put into use. Finally, the computer had been switched with another one, but was listed as being at the library's Technical Room instead of at Sandy. The information service employee indicated that hand-held scanners would be tagged and that the location of the remaining assets would be changed to Sandy Library.

We also spoke to the Library's Director of Facilities Maintenance regarding the vacuums. He indicated that they had recently terminated a custodial supervisor, in part for poor record keeping of equipment. Concurrent with our audit, they completed an inventory of the maintenance equipment, Library wide, and instituted the use of controlled asset numbers. Previously, maintenance equipment was identified on lists using the serial number. They provided a copy of the newly completed inventory, which was found to accurately reflect the vacuums noted at Sandy.

RECOMMENDATIONS:

- 1. We recommend that the location of the laptop and computer be changed to Sandy Library.*
- 2. We recommend that the two hand-held scanners be tagged and added to Sandy's controlled asset list.*
- 3. We recommend that maintenance staff continue their efforts to keep the list of vacuums and other maintenance equipment up-to-date.*

Two vacuums listed as being at Sandy were found at other library locations. The inventory of maintenance equipment for Sandy contained the following vacuums: 1) Kent 165D, 2) Pro Team Coach CM2 and 3) Pro Team Coach CM3. We were able to match the Pro Team Coach CM3 at Sandy to the one listed on the report. However, the other vacuums at Sandy did not match the Kent 165D or the Pro Team Coach CM2.

Policy #1125, Sections 2.2 and 2.2.3, state, “...*Property Managers assigned by their Administrators are responsible for the following...Maintain records as to the current physical location of all fixed assets and all controlled assets within the organization’s operational and/or physical custody.*” Assets are easy targets for conversion to personal use if they are not included on the controlled asset list or if they are listed at the wrong location.

The Library’s Director of Facilities Maintenance indicated that the Kent 165D was “in the shop” at Kearns Library. He also stated that the remaining Pro Team Vacuum had been located at West Valley Library. We verified that each vacuum was at the Library indicated. In addition, Library Facilities Management provided us with an updated list, which contained the correct location for each vacuum.

RECOMMENDATION:

We recommend that maintenance staff continue their efforts to keep the list of vacuums and other maintenance equipment up-to-date.

The non-computer related controlled asset list for the Sandy Library was initialed by the branch manager but was lacking the required certification statement. Sandy Library was able to provide a list of non-computer related controlled assets that was initialed at the top by the branch manager and dated June 27, 2006. The list was found to be complete and up-to-date, with only minor differences related to two tag numbers and two serial numbers listed.

However, the asset list did not contain the certification statement found on “Controlled Assets Inventory Form – Organization,” required by Policy #1125, which states, “*I have reviewed this list of controlled assets our organization is responsible for (but are not assigned to individual employees) and agree that it is an accurate and complete list of equipment assigned to me. I understand the County Administrator and I are responsible for the property in accordance with all the provisions of this policy.*” Library controlled asset lists of computer related assets and maintenance equipment do contain a certification statement, which reads, “*This inventory report is accurate to the best of my knowledge.*”

Signing to accept responsibility of assets increases the importance to the signer of properly accounting for those assets.

James D. Cooper, Director
Salt Lake County Library System
November 9, 2006
Page 12

RECOMMENDATIONS:

- 1. We recommend that Sandy Library's controlled asset list be modified to include the certification statement found on "Controlled Asset Form – Organization."***
- 2. We recommend that Library personnel review the certification statement included on computer related equipment and maintenance equipment and consider adopting language closer to that contained on the above referenced form.***

In closing, we would like to express our appreciation to the staff at Sandy Library for their cooperation and timely assistance. We are confident that our work will be of benefit to you and help you strengthen internal controls. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

James B. Wightman, CPA
Director of Internal Audit

cc: Jean Nielsen
Kelly Colopy
Mike Stoker
Cheryl Mansen

REVALUE COIN BOX FORM

BRANCH _____

DATE _____

STAFF INITIALS _____

UNIT # _____

Metered amount \$ _____

Submitted amount \$ _____

Over/Short \$ _____

The above form was designed by Sandy Library's circulation manager for use in balancing collections from the revalue machine. The Library might also consider adding an area to the form adopted for comments regarding overages and shortages.