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Mayor Ben McAdams
Salt Lake County
2001 South State Street N2100
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Re: A Limited Scope Audit of the Magna Library

Dear Mayor McAdams:

We recently completed an analysis of the financial records of the Magna Library (Library). Our scope was limited to verification of the accuracy and completeness of financial records, and compliance with internal controls related to cash handling procedures, and management of capital and controlled assets. Our audit covered the one-year period from May 2011 to April 2012 and included an unannounced count of the change fund. We also reviewed cash receipting and depositing procedures, and capital and asset management. Our audit objectives were to determine compliance with the guidelines for cash handling found in Countywide Policy #1062, "*Management of Public Funds*," and asset management found in Countywide Policy #1125, "*Safeguarding Property/ Assets*."

Our work at the Library was designed to provide reasonable, but not absolute, assurance that the system of internal controls was adequate, records were current, and daily transactions were valid. Our review of deposits was done on a sample basis; therefore, problems may have occurred in deposits that were not selected for review. However, a statistically significant random sample is designed to provide a degree of assurance that the complete nature of transactions and processes is examined. In addition, findings relating to non-compliance with Countywide Policies may be present in areas not examined. We have limited our comments to significant findings and recommendations, and have divided the report into the following sections:

- **Cash Handling and Depositing**
- **Capital and Controlled Assets**

We noted several positive control activities for cash handling in place at the time of our audit, including the following:

- All voided transactions we reviewed were approved by a second person and were documented with a Library void form.
- During our unannounced cash count, funds in the cash registers balanced to the change fund amount and register reports of collections.

- Safeguards were in place to adequately protect the change fund at night or during non-business hours.
- An explanation and reason for the waiver was listed on each “Fine and Fee Waiver” form, as well as the amount waived and the card number of the patron.

Overall, sound internal control procedures are in place and functioning properly. The Magna Library management and staff are to be commended for their efforts in this regard. Nonetheless, we did find some areas where improvements could be made.

CASH HANDLING AND DEPOSITING

The money collected at Magna Library is primarily for fines paid for overdue books, CDs, DVDs, or other materials that are checked out plus replacement fees and costs of lost or damaged books and materials. Money is also collected for sales of used library materials, equipment rentals, replacement of lost library cards, and for out-of-County library cards. The Library has two cashier stations, two coin-operated copiers, and an EnvisionWare coin box which is used to collect money from patrons who want to print copies of Internet pages.

We examined the cash receipting and depositing process to determine whether the Library was in compliance with Countywide Policy #1062, *Management of Public Funds*. To initiate our work, we performed an unannounced count of the change fund and collections in each of the cash registers, the copiers, and the EnvisionWare coin box. The Library’s change fund balance, when counted with that day’s collections, was \$7.00 over its authorized amount. This overage occurred entirely in the count of the cash in the copiers and the EnvisionWare coin box. Funds in the two cash registers balanced to their assigned change fund amounts plus that day’s collections without exception.

During our review, we noted some issues with the timeliness of deposits and some areas of deposit preparation procedures which could be improved. In addition, we identified some concerns in regard to proper segregation of duties among Library cashiers which had an effect on daily cash balancing and deposit preparation. We have detailed our findings in the area of Cash Handling and Depositing and included recommendations for improving these procedures. The findings resulting from our review of cash handling procedures and testing of deposit documentation are as follows:

- *The staff who authorize and approve the “Fine and Fee Waiver” forms occasionally only initialed the forms.*
- *“Fine and Fee Waiver” forms were not used in numerical sequence and some were missing.*
- *Receipts for “No Sale” transactions did not always include an explanation for the “No Sale” and were not always signed.*
- *The amounts on the deposit documentation did not always match the amounts that were deposited at the bank.*

- *The Monthly Over/Short Logs were not reviewed and signed.*
 - *Some deposits occurred after the State-mandated deadline of no later than three days following collection.*
 - *More than one cashier uses a cash drawer during the day.*
 - *Individual accountability for overages and shortages in cash drawers was not established.*
 - *There was an inadequate separation of duties between cash receipting, the transfer of receipted funds to the safe, and the preparation of the deposit.*
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The staff who authorize and approve the “Fine and Fee Waiver” forms occasionally only initialed the forms. County libraries collect fines and fees incurred by patrons for overdue, lost, and damaged items. In some instances, fines and fees are waived by Library personnel. When this occurs, Library policy requires that an approval form be completed. The policy also requires that the employee handling the waiver update the patron’s library record. Each library employee at the Circulation Desk can waive fines or fees depending on the circumstances from the patron, and if the reason corresponds to one of the reasons that has been established by the Library Administration. There must be “good cause” for such an action, and the waiver of fines/fees must be approved by a supervisor.

On occasion, the Library offers special waivers to patrons. Examples of special waivers include the “Food for Fines” program, where a non-perishable food item may be brought to the Library to “pay” for fines, and the “Read Off Your Fines” program, where patrons are allowed to read in exchange for waiving fines on their library records.

A “Fine and Fee Waiver” form (Form #C32 6-10 TRH) is completed each time a fine/fee is waived. The forms have a pre-printed receipt number on them and sections for the following information:

- Library Branch
- Date
- Card number of the patron
- Amount of the waiver
- Name of the employee authorizing the waiver
- Name of the employee approving the waiver
- Reason(s) for the waiver
- Explanation for the waived amount
- Customer signature*

*If the waiver is done over the telephone, there is not a customer signature.

The pre-numbered forms originate from Library Administration and are replenished when requested from the branch library. The Marketing Department keeps a record of which number sequences have been issued to each library.

A patron can challenge fines/fees and receive a waiver for various reasons noted on the “Fine and Fee Waiver” form. The form has signature lines for the patron, staff authorization, and supervisor approval. Properly completed forms provide a control mechanism whereby more than one staff member reviews the transaction. Using the forms in numerical sequence is also a control mechanism. It identifies if any forms are missing, how many are used, and by whom. It also serves as a confirmation tool between the cash register transaction and the Smart Money Manager (SMM) generated reports.

The “Fine and Fee Waiver” forms are used as evidence that a fine/fee has been deleted from a patron’s record. The use of the form helps the Library keep a record of amounts that are waived. The signatures on the “Fine and Fee Waiver” form signify knowledge, approval, and acceptance of the waived amount. Although one’s initials are an abbreviated form of a signature, best business practices indicate that a form should be signed rather than simply initialed. Without a signature, the initials could be anyone’s. It is more difficult to reproduce someone else’s signature. Figure 1, below, shows the total count and amount for the monthly waivers from May 2011 through April 2012.

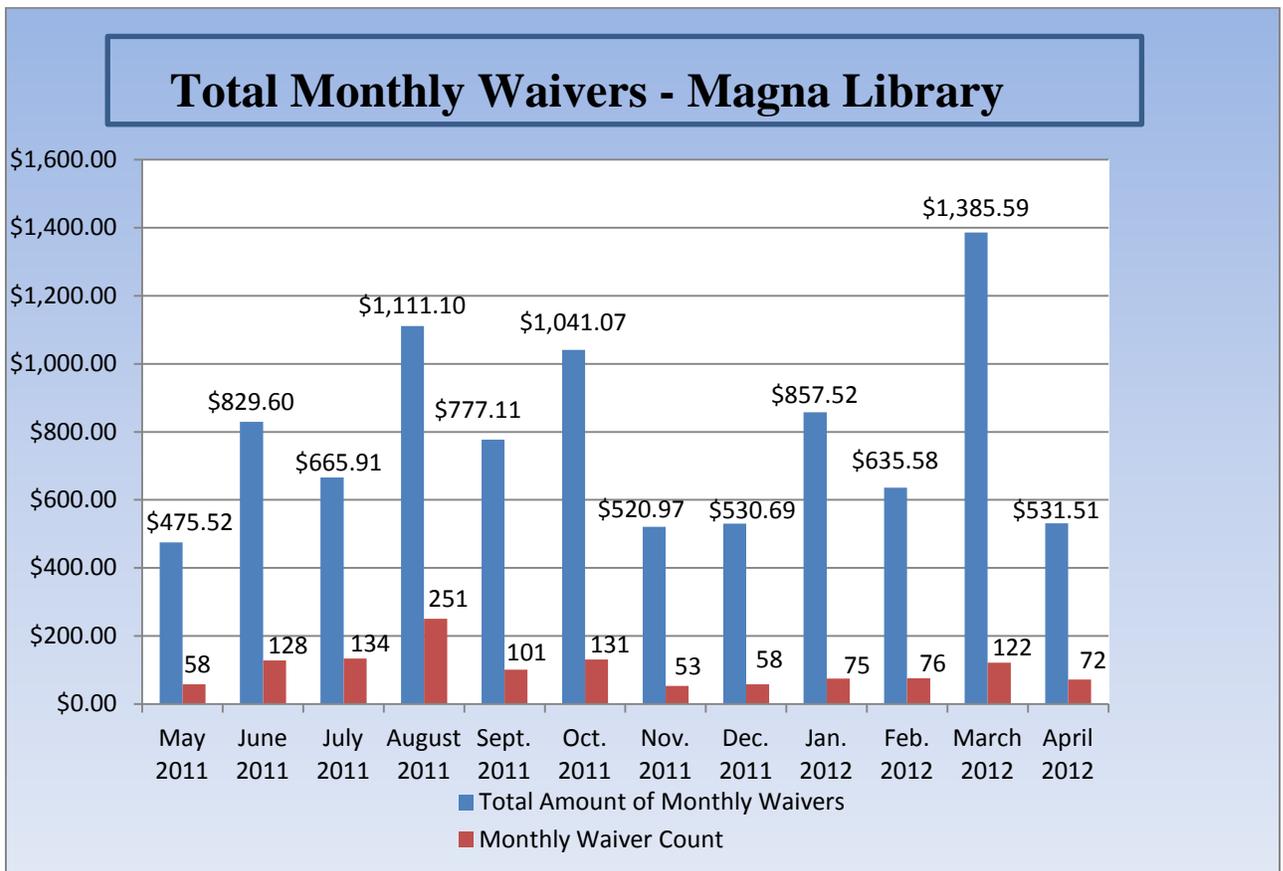


Figure 1: Monthly waivers at Magna Library increase during certain months due to special waivers given to patrons who read in exchange for waiving fines on their library patron records.

We examined 114 “Fine and Fee Waiver” forms that were completed on the 42 days in our sample. During our review of the forms, we noted that an explanation and reason for

the waiver was listed on each waiver form as well as the amount waived and the card number of the patron. The customer signature line was usually completed except when the patron was gone before the “Fine and Fee Waiver” form could be initiated or when the waiver was initiated over the phone.

We noted, however, that the staff who authorize and approve the “Fine and Fee Waiver” forms occasionally only initialed the forms. The signatures on the “Fine and Fee Waiver” forms signify knowledge, approval, and acceptance of the waived amount. Although one’s initials are an abbreviated form of a signature, best business practices indicate that a form should be signed rather than simply initialed. Furthermore, the Section in the Salt Lake County Library’s Circulation Manual regarding fine and fee waivers states that, “...*the form must be signed by the customer and by the staff member and then approved by the supervisor.*”

RECOMMENDATION:

We recommend that Library staff authorize and approve the “Fine and Fee Waiver” forms with signatures rather than putting initials on the forms.

“Fine and Fee Waiver” forms were not used in numerical sequence and some were missing. During our review of the “Fine and Fee Waiver” forms, we noted that the “Fine and Fee Waiver” forms were not used in numerical sequence and some were missing. In the Salt Lake County Library Circulation Manual, Operating Standards and Procedures: Fine and Fee Waiver section it states,

Care should be taken that waiver forms are used sequentially. Forms that have been voided for any reason must be saved and added to the daily deposit paperwork. Those libraries having more than one cash register should assign a group of numbers to each register and should keep a log of which numbers are assigned to each register.

When the waiver forms are used out of numerical sequence, internal controls are compromised, and there is an increased risk that staff may receipt money, prepare a waiver form, and misappropriate the funds. Also, when the waivers are used out of numerical sequence and there is no reconciliation between the waivers that are issued to the Library and the waivers that are used, they could be inappropriately substituted for cash. Furthermore, there is no accountability and no way to know if missing forms have been voided or used on other days. If mistakes are made on a form, the “Fine and Fee Waiver” form should be retained, marked “void,” and kept with the numerical sequence attached to the deposit documentation.

Because, the “Fine and Fee Waiver” forms are stored in a drawer near each cash register, they can become shuffled. This would explain problems with numerical sequencing and missing forms. However, to be an effective control mechanism, the “Fine and Fee Waiver” forms need to be used in numerical sequence. Without this control, there is

opportunity for an employee to accept payment for a fine or fee, waive the fee or fine in the patron record in the Horizon system, and divert the funds to personal use.

RECOMMENDATION:

We recommend that the Library staff authorized to complete “Fine and Fee Waiver” forms be better trained in maintaining and accounting for the Waiver forms in numerical sequence.

Receipts for “No Sale” transactions did not always include an explanation for the “No Sale” and were not always signed. The "No Sale" category on the cash register is used to open the cash drawer when a regular transaction has not occurred. The drawer is opened at the end of the business day to enable the cash drawers to be removed from the registers. On occasion, Library staff use the "No Sale" category to open the drawer to make change for patrons who want to use the copier or the EnvisionWare coin box.

We reviewed the “No Sale” receipts on the deposit dates in our sample and found that the staff initiating the “No Sale” transactions were not always including an explanation for the “No Sale” and were not signing the receipt. Salt Lake County Circulation Manual, Cash Handling Operating Standard and Procedures, Sections 2.1.3.7.1 and 2.1.3.7.2 state:

‘No Sale’ transactions are discouraged. Change should not be made from the cash drawer unless absolutely necessary. When it is necessary to make change from the cash register using ‘No Sale’ write a brief explanation on the receipt as to why it was made.

We discussed this issue with the Circulation Manager and learned that the Library personnel were instructed to write an explanation for the “No Sale” and initial the receipt. When “No Sales” are not documented and monitored, cashiers can more easily access funds, and there is an opportunity to misappropriate the funds. The cash 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 each "No Sale" receipt be retained and that a brief explanation and the initials of the Library personnel 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.*

The amounts on the deposit documentation did not always match the amounts that were deposited at the bank. The staff member who prepares the deposit prints the deposit documentation which consists of the Daily Balance Sheet Form for each cash

register, the Coin Box Form, and the Daily Cash Collection Form for the consolidated amounts from the cash registers, the copiers, and the EnvisionWare coin box. During our review of deposits, there were two days when the amounts on the deposit documentation did not match the amounts that were deposited at the bank.

Countywide Policy #1062, Management of Public Funds, Section 3.8.1 states,

All County Agencies should balance collections to cash register (or receipt log) totals and prepare a deposit, using MPF Form 3A, Cash Balance Sheet, or a similar form developed for and produced by the specific Agency. Cash balancing reports generated automatically, if reconciled to the cash count, should provide sufficient balancing documentation. Either a manual or an automated balancing procedure shall be performed as a step in the preparation of each deposit.

When we discussed the issue with the Circulation Supervisor, we learned that there were days when there were problems printing the deposit documentation. In order to ensure that the deposit was ready for pickup, the funds were counted, placed in the deposit bag, and a deposit slip was prepared without balancing the actual funds to the records. When the deposit documentation was eventually printed, the amounts on the Daily Balance Sheet Form and the Daily Cash Collection Form did not match the deposit amount. On the days we reviewed in our sample, when this situation occurred, there was no written explanation on the deposit paperwork.

Without balancing the actual money in the cash register drawer with the amounts stated on the deposit documentation, the purpose for the balancing procedures has been circumvented. Therefore, the person who prepares the deposit should always balance the actual funds with the deposit documentation and indicate any outages between the register amounts and the actual funds.

RECOMMENDATION:

We recommend that the person who prepares the deposit always balance the actual funds with the deposit documentation and indicate any outages between the register amounts and the actual funds.

The Monthly Over/Short Logs were not reviewed and signed. The Circulation Supervisor and the Library Manager were not reviewing the Monthly Over/Short Logs. The Monthly Over/Short Logs were online, but no one had printed them for review and for approval signatures. The Circulation Supervisor stated that she was told that she no longer needed to print and review the Monthly Over/Short Logs.

The purpose of the Monthly Over/Short Logs is to record outages from the daily amounts collected when compared to the totals per the cash register records. Without reviewing the Monthly Over/Short Logs, the Circulation Supervisor and the Library Manager

will not be made aware of any pattern of overages or shortages and will not be able to correct any problems.

Countywide Policy #1062, Management of Public Funds, Section 5.3.1.3 states:

The MPF Form 11, for each Cashier, shall be signed by the Cashier's immediate supervisor. The MPF Form 11 and the Monthly Report of Cash Receipts shall be retained by the Agency and archived according to County Records Management guidelines.

RECOMMENDATION:

We recommend that the Circulation Supervisor print the Monthly Over/Short Logs and that each month the Circulation Supervisor and the Library Manager review and sign them.

ACTION TAKEN: *We spoke with the Library Manager and the Circulation Supervisor who stated that the Monthly Over/Short Logs will be printed, reviewed, and signed going forward.*

Some deposits occurred after the State-mandated deadline of no later than three days following collection. Funds collected at the cash registers are in the form of cash, check, and credit cards. Funds collected in the copiers and the EnvisionWare coin machine are also included in the deposit. The deposit is prepared by one of four Library staff members in the Circulation section.

At the end of the day, the designated staff in the Circulation section closes the day's activity in the cash registers which provides summary and detail reports of the day's transactions. The funds, together with the cash register documentation (e.g., credit card receipts, waivers, voids, "No Sales," etc.) are placed in the safe overnight.

The following morning, or Monday morning for Friday and Saturday activity, the staff member responsible for preparing the deposit removes the cash, checks, credit card receipts, and other cash handling documents (e.g., waivers, vouchers, void slips, etc.) from the safe. The coin boxes for the copier and the EnvisionWare machine are opened each day, the activity is noted on a worksheet, and the appropriate amount of cash is removed from the machines.

An employee in the Circulation section (usually the Circulation Supervisor or Assistant Circulation Supervisor) counts the total cash, checks, and credit card receipts in the cash drawer. A "Daily Cash Balance Sheet Form" and a "Daily Cash Collections Form" are completed and the deposit is prepared. The deposit is placed in a tamper-proof deposit bag and held in the safe for pick-up.

One of the objectives of our review was to determine timeliness of the deposits, an objective we accomplished by examining a statistical sample of 42 deposits from May 2011

through April 2012. We found that 18 of the 42 deposits examined, or 43 percent, were made four or more days after the receipt of the funds, as shown in Table 1, below.

Timeliness of Deposits		
Number of Days Between Collection Date and Deposit Date	Number of Deposit Occurrences	Percentage
2	18	43%
3	6	14%
4	12	29%
5	5	12%
6	1	2%
Total Sample	42	100%

Table 1: *In our sample of deposits, 43 percent were made after the time period mandated in Countywide Policy.*

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 not later than three days after receipt.

Deposits were delinquent due to the process in place for transferring deposits to the bank. The Library is open until 9:00 p.m. Monday through Thursday, and until 6:00 p.m. on Friday and Saturday, which is after most banks are closed. Therefore, at least one day's delay occurs before the deposits could be made. In addition, the current process used by the Library System adds to the delay and also puts the funds at risk. *Note: We do not discuss in this report the details of the current depositing procedure for security purposes.*

In a review of past audit reports prepared by the Salt Lake County Auditor's Office, this condition has been identified at other library branch locations. This issue has been addressed with Salt Lake County Library Administration and management has responded by stating that the Library could not implement the recommendation to have library employees at each branch deliver deposits to the bank on a daily basis due to limited staff size and questionable benefit due to the size of the average deposit.

Undeposited funds are not as secure as they would be in the bank, and they lose interest that would otherwise accrue from investments made by the County Treasurer. In addition, collections should be handled by as few people as possible.

RECOMMENDATION:

We recommend that the Library revise the current deposit process to ensure that deposits are made in accordance with Countywide Policy.

More than one cashier uses a cash drawer during the day. Throughout a typical day, several cashiers work at the two cash registers. Generally, cashiers are assigned to one

cash register for a limited amount of time and then rotated to another assignment. The cashiers do not independently verify the accuracy of the money in the cash register when they begin their cashiering shift. Therefore, responsibility for cash outages cannot be assigned to any one cashier.

When the amount of cash in the drawer is established, cashiers have assurance that their actions affect the accuracy of collections, and any resulting overages or shortages. We recognize that the frequent rotation of cashiers at the cash register makes verification inconvenient. Nonetheless, to have the best internal control, there should be a single cashier accountable for a single cash drawer at a time. If multiple cashiers are assigned to a single cash drawer, it will be more difficult to track any potential problems. In addition, cashiers may feel less responsibility than they would if they were wholly responsible for their cash drawer.

We noted that each cashier is assigned an identification code which they must enter into the cash register each time they process a transaction. When the code is entered, the cash register software creates a log of all transactions and activity performed by the cashier. Therefore, a transaction can be traced to a specific cashier. However, the log cannot be used to trace the origin of overages and shortages.

RECOMMENDATION:

We recommend that one cashier be assigned a cash drawer. If management elects to continue the procedure of having more than one cashier using a cash drawer, the feasibility of cash counts and transfers of funds to the incoming cashier at the beginning of each shift should be explored.

Individual accountability for overages and shortages in cash drawers was not established. Section 5.3.1 of Countywide Policy #1062 requires that overages and shortages be recorded by each cashier on MPF Form 11, *Cash Over/Short Log*. The form prescribed for this use in the policy is designed to be an individual form as it has a line for the employee's name at the top and a column for their initials next to each day's over/short entry. By having this form completed on an individual basis, management can monitor each cashier's pattern of overages and shortages, and thereby review for both potential theft and other performance issues.

However, during our review at the Magna Library, we noted that the Library has created their own Cash Over/Short Log and only cumulative overages and shortages for each day are recorded and monitored. On the 42 days in our sample, these cumulative outages ranged from an overage of \$13.10 to a shortage of (\$7.85). Current practices at the Library make it impossible to determine individual responsibility for these outages, as cashiers on each cash register change regularly throughout the day, based on a pre-determined schedule, and only the reports at the end of the day are used to complete balancing procedures.

During the period of our review, May 2011 through April 2012, we noted that deposit overages in the sample occurred 15 times, or 36 percent of the time, and that deposit

shortages occurred 12 times, or 28 percent of the time. Table 2, below, summarizes the occurrences of overages and shortages that were noted in the sample of 42 deposit dates.

Overs/Shorts on Daily Cash Balancing in Sample of Deposits			
Deposit Condition	Number of Occurrences	Percentage	Largest Amount
Over	15	36%	\$13.10
Short	12	28%	(\$7.85)
Balanced	15	36%	-
Total Sample	42	100%	-

Table 2: Daily cash receipts were over or short 27 times, or 60 percent of the time in a sample of 42 deposit dates. Note: Days which had only over/short amounts from the copier or the EnvisionWare coin box were not included in the total outages.

We reviewed 12 Monthly Over/Short Logs for accuracy, completeness, and approval by both the Circulation Supervisor and Library Manager. Table 3, below, summarizes the data from the Library's Monthly Over/Short Logs for the 12-month period from May 2011 to April 2012. According to the Monthly Over/Short Logs, cash receipts were either over or short 144 times during the 12-month period.

Summary of Monthly Cash Over/Short Logs					
Month	Number of Overages	Number of Shortages	Total Number of Overs/Shorts	Largest Overage	Largest Shortage
May 2011	5	3	8	\$2.25	(\$1.90)
June 2011	6	8	14	\$1.20	(\$5.85)
July 2011	8	8	16	\$13.10	(\$10.80)
Aug. 2011	11	7	18	\$5.17	(\$1.01)
Sept. 2011	4	4	8	\$.26	(\$0.40)
Oct. 2011	6	6	12	\$30.89	(\$1.60)
Nov. 2011	10	5	15	\$4.30	(\$1.20)
Dec. 2011	5	3	8	\$1.50	(\$0.35)
Jan. 2012	8	5	13	\$1.00	(\$7.76)
Feb. 2012	5	5	10	\$5.10	(\$3.50)
Mar 2012	9	4	13	\$1.15	(\$0.10)
April 2012	7	2	9	\$8.00	(\$7.95)
Totals	84	60	144		

Table 3: During the 12-month period we reviewed, there were 144 total outages in the cash receipts. Note: Days which had only over/short amounts from the copier or EnvisionWare coin box were not included in the totals.

Although we found that daily cash overages and shortages were consistently documented by using the Monthly Over/Short Logs created by the Library, there were no internal controls in place that allowed the Library Manager to trace overages or shortages to their origin. When Library employees were asked about what could be common causes for

excessive outages, they indicated that cashiers more than likely gave back incorrect change or did not collect the correct amount from the patron when processing a transaction.

Countywide Policy #1062, *Management of Public Funds*, Section 5.3.1 states,

All overages and shortages, regardless of the amount, should be recorded daily by each cashier on MPF Form 11, Cash Over/Short Log. When a significant shortage or a pattern of shortages occurs in the accounts of any cashier, Agency Management shall conduct an investigation of the circumstances and report their findings to the [Mayor's] Office. This reporting can be accomplished informally by email.

By knowing that they are not held individually responsible for any outages of daily collections, the risk that Library cashiers could misappropriate funds is greatly increased. Properly documenting and holding individual cashiers responsible for overages or shortages would help mitigate some of the risk that an embezzlement of funds could occur.

The Library has two cash register drawers which could be assigned to individual Library cashiers to process transactions. Individual cashiers could then be assigned responsibility for cash register funds and any overages or shortages that occur could be traced back to a specific cashier. If a significant shortage or pattern of outages occurs in the accounts of any cashier, the situation could be investigated.

In the event that a cashier finds it necessary to transfer cashiering duties to another cashier during the day, the transfer could be properly documented with an MPF Form 7A, *Fund Transfer Form*, and the new cashier could assume cashiering duties from that cash register drawer.

RECOMMENDATIONS:

- 1. We recommend that the Library significantly improve their ability to establish individual cash drawer accountability by scheduling their cashier shifts for two to three hours in duration, assigning one cashier to a cash drawer, and counting the money in the drawer before a new cashier begins a shift.*
- 2. We recommend that each cashier's overages and shortages be listed on a separate Over/Short Log, initialed by the cashier, and reviewed and signed by a supervisor each month.*

There was an inadequate separation of duties between cash receipting, the transfer of receipted funds to the safe, and the preparation of the deposit. The employee who prepares the deposit also covers one or more of the day's cashiering shifts. As a result, that person receives some of the funds that are also counted and included in the deposit.

While an employee at Library Administration does review the deposit paperwork, this is done after funds have already been placed in a sealed tamper-proof deposit bag. The

current situation allows some employees to exclusively control transactions from the receipt of funds to the sealing of those funds in a deposit bag, which creates an opportunity for funds to be diverted to personal use.

Separating these duties to the maximum extent possible is in harmony with the intent of Countywide Policy #1062. The policy's introduction states:

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.

For effective internal control, a single employee should not exclusively control a monetary transaction. The duties of individuals should be so divided as to maximize employee protection and minimize the potential for collusion, perpetration of inequities, and falsification of accounts.

Cash handling duties can be divided into three stages: receiving, depositing, and reconciling. Ideally, all three stages would be performed by different individuals. The purpose of this segregation of duties is to minimize the opportunity for an employee to misappropriate funds and avoid detection. If it is not feasible to fully segregate all of the cash-related duties, the Library should rely on compensating controls (e.g., increased monitoring) to mitigate the risk that cash could be misappropriated.

RECOMMENDATION:

We recommend that deposit preparers not be scheduled to perform cashier duties and collecting funds that they will handle while preparing the deposit; if Library Management determines that the cost of compliance is too high to implement this recommendation, compensating controls should be introduced.

CAPITAL AND CONTROLLED ASSETS

We reviewed capital and controlled asset management practices for compliance with the provisions in Countywide Policy #1125, "*Safeguarding Property/Assets.*" Our review included an inventory of a statistical sample of controlled assets to verify their existence and determine if proper internal controls were in place to help mitigate the risk that these assets could be lost, stolen, or otherwise converted to personal use.

We also reviewed the capital assets at the Library. By definition, a capital asset is an individual item owned by the County that meets the criteria for capitalization. Currently, the capitalization threshold is \$5,000. A controlled asset is an item having a cost of \$100 or greater, but less than the current capitalization threshold, and which is sensitive to conversion

to personal use. However, personal communication equipment, such as a cell phone or PDA, is considered a controlled asset regardless of the cost of the individual item.

To identify capital assets at the Library, we obtained a Salt Lake County Capital Asset Inventory Report (AFIN0801) for the Magna Library. The capital assets report showed two capital assets for the Magna Library; we located these assets.

Controlled assets are not tracked centrally by the County as capital assets are. For controlled assets, the Library System maintains two lists, one for computer-related equipment and peripherals, and one for non-computer equipment. The Library System assigns responsibility for controlled assets to both a central Property Manager, who works out of Library Administration at the West Jordan Library, and to individual Library Branch Managers. Oversight of computer equipment and peripherals, such as monitors, printers, processors, and scanners is assigned to Library Information Services (I.S.) personnel. The I.S. personnel maintain a list of computer-related equipment and peripherals, and the Library Manager maintains the inventory of non-computer related controlled assets at the Library.

During our review of capital and controlled assets, we found that:

- **The list of controlled assets was incomplete and in some cases inaccurate.**

The list of controlled assets was incomplete and in some cases inaccurate. We obtained current copies of both Controlled Assets Inventory Lists and examined a statistical random sample of 98 controlled assets out of 318 total controlled assets. From the Controlled Assets Inventory List for computer-related assets, we were not able to locate 5 controlled assets in our sample. As we were performing the assets inventory, we noticed that there were 11 additional controlled assets that were recorded on the Controlled Assets Inventory List that we could not locate. Table 4, on page 15, shows the controlled assets we could not locate at the Magna Library.

Controlled Assets on Asset List, But Not Located at the Library			
Bar Code	Description	Manufacturer	Serial Number
311810433407585	TV	JVC	07715182
31181066307852	Printer	HP	SCN05L3K17Y
31181066297392	Monitor	Dell	CN0Y9833716187C7A060
31181079922788	Monitor	Dell	CN0FJ1816418068A3DBC
31181043454819	Monitor	Dell	CN06R64447804282N6P8
31181041199291	Monitor	Dell	CN0C53696418053U0GXH
31181063300942	Monitor	Dell	CN0M1618466334581TGT
31181063310971	Monitor	Dell	CN0GRNWX728720B1A86I
31181073981251	Monitor	Dell	CN0Y99987287267H1V8Q
31181066297319	Monitor	Dell	CN0Y9833716187C7A129
31181066293516	Monitor	Dell	CN0M16196418045S68XH
31181067785320	Monitor	Dell	MX0M16184663445K216T
31181066307852	Monitor	Dell	CN0C06464663343H35YL
31181043452987	Monitor	Dell	915023470390
31181066347569	Computer	Dell	F2ZZC91
31181066299729	Thin Client	HP	CNV8260LHJ

Table 4: Sixteen controlled assets were on the Controlled Assets Inventory List, but could not be located at the Library.

In addition, to reviewing assets which were on the Controlled Assets Inventory Lists, we also looked for assets that were at the Library, but were not on the lists. During the inventory of controlled assets, we found three assets that were not on either Controlled Assets Inventory List. Two of the three assets had a library Bar Code tag on them. Table 5, below, shows the assets that were not on the Controlled Assets Inventory Lists.

Controlled Assets at Library, But Not on the Controlled Assets Inventory Lists		
Bar Code	Description	Manufacturer
None	Monitor	Dell
31181108749202	TV	Tyco Electronics
31181066311797	Digital Presenter	Samsung

Table 5: Three controlled assets were found at the Magna Library that were not on the Controlled Assets Inventory Lists.

General accountability for controlled assets is the responsibility of each organization's Property Manager as discussed in the following sections of Countywide Policy #1125, "Safeguarding Property/Assets."

Section 2.1.1 states,

Designate a Property Manager to manage all property purchased by the organization, or which it is otherwise accountable for, which is subject to the provisions of this policy.

Section 2.2 states,

Property Manager's Duties – duties may be appropriately delegated to a subordinate; however, consistent with basic management principles, Property Managers and County Administrators remain ultimately responsible for management of County Property.

Section 2.2.3 states,

Maintain records as to current physical location of all fixed assets and controlled assets within the organization's operational and/or physical custody.

Due to size of the Salt Lake County Library System, there are hundreds of computers, monitors, and other computer-related assets located throughout the various library branches. These controlled assets are sensitive to conversion to personal use if they are not properly safeguarded and closely tracked by management. Controlled assets are easy targets for conversion to personal use if they are not included on an Agency's Controlled Assets Inventory List. Assets cannot be properly safeguarded if items have not been recorded on the list.

The Controlled Assets Inventory List for computer-related assets has not been properly updated. We learned through discussions with the Library Manager that the controlled assets which we could not locate were assets that were located at the old Magna Library building and were not transferred to the new building in May 2011. These controlled assets should have been removed from the Controlled Assets Inventory List of computer-related assets.

The Controlled Asset Inventory Lists should be continually updated to reflect additions and deletions of assets which will provide an accurate basis for conducting annual inventories. Moreover, items should be added to or deleted from the respective Controlled Assets Inventory List as purchases occur or as assets are transferred to surplus or to another library location.

RECOMMENDATIONS:

- 1. We recommend that the Controlled Asset Inventory Lists be updated on a continuous basis to accurately reflect the assets at the Magna Library.*
- 2. We recommend that the Library Manager, the Property Manager, and the I.S. staff in charge of computer-related controlled assets determine the types of items to be included on each Controlled Assets Inventory List to ensure that all items are included on one or the other of the lists.*

In closing, we express appreciation to the staff at the Magna Library and Library Administration staff for the cooperation and assistance they gave us during our audit. We trust that implementation of the recommendations made in this letter will help to improve operations, ensure the security of County assets, and strengthen internal controls throughout the Library. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

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