



December 31, 2012

Mayor Ben McAdams
Salt Lake County
2001 South State Street N2100
Salt Lake City, UT 84114-4575

Re: A Limited Scope Audit of the Millcreek Library

Dear Mayor McAdams:

We completed an analysis of the financial records of the Millcreek 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 capital and controlled assets management. The new Millcreek Library opened in April 2012; therefore our audit covered the six-month period from April 2012 through September 2012 and included an unannounced count of the change fund. We also reviewed cash receipting and depositing procedures, and capital and controlled asset management. Our audit objectives were to determine compliance with the internal controls 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 audit included only a sample of items; therefore, there is a risk that we may not have discovered problems related to items that were not selected for review. Management's response to our findings is attached as Appendix A.

Some minor findings were discussed with Library personnel at the time of our audit and have not been included in this letter. 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 and controlled asset management in place at the time of our audit, including the following:

- Staff members were professional in fulfilling their duties and were aware of the need for internal controls over cash handling.
- Library staff was open to suggestions, professional, responsive, and helpful.
- The deposit documentation was orderly and safeguarded in a locked filing drawer.
- Tamper-proof deposit bags were used for deposits.

GREGORY P. HAWKINS
Salt Lake County Auditor

2001 South State Street, N3300
PO Box 144575
Salt Lake City, UT 84114-4575

(385) 468-7200
(385) 468-7201 / fax
GHawkins@slco.org

LONN LITCHFIELD, JD, LLM
Chief Deputy Auditor

MICHAEL P. CHABRIES, PhD
Senior Advisor

BRAD A. ROGERS
Executive Assistant

- All voided transactions we reviewed were approved by a second person and were documented with a Library void form.
- 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.
- The controlled assets included in our sample were properly identified and documented in the Library’s controlled asset records.

Overall, it appears that many sound internal control procedures are in place and functioning properly. The Millcreek Library management and staff are to be commended for their efforts in this regard. We did, however, find some areas where improvements could be made.

CASH HANDLING AND DEPOSITING

The money collected at Millcreek 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, miscellaneous supplies, out-of-County library cards, equipment rentals, and replacement of lost library cards. Copying and printing charges are also collected. The Library has two cashier stations, a coin-operated copier, 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 copier, and EnvisionWare coin box.

During our recent reviews of various library branch locations (i.e., Bingham Creek Library, Herriman Library, and Magna Library) in the Salt Lake County Library System, we noted some issues with the timeliness of deposits and some areas of deposit preparation procedures which could be improved. We also identified some concerns in regard to proper segregation of duties among Library cashiers which had an effect on daily cash balancing and deposit preparation. These same issues were found at the Millcreek Library. In October 2012, these issues were discussed with Salt Lake County Library Administration in conjunction with the Bingham Creek Library exit conference and management responded to these findings as follows:

Finding: *Some deposits occurred after the State-mandated deadline of no later than three days following collection.*

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

Management Response: We concur with the findings. The logistics of transfer of funds from the branch to the bank add an additional day in the process. The Library Management has considered alternative options including deposit by the library employees or requesting a courier service. It was concluded that alternative options may not be feasible due to staffing issues, employee safety, and cost-effectiveness of the courier service. The Library Management will make a concerted effort to meet the 3-days mandate and comply with the Countywide policy.

Finding: *More than one cashier uses a cash drawer during the day.*

Recommendation: *We recommend that each 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.*

Management Response: We concur with the findings. However, the current procedure allows Library staff to cross-train and offer better customer service experience to library patrons. Assigning a permanent cashier to each cash register would require additional staffing resources. The size and number of transactions do not merit such a proposition.

Finding: *Individual accountability for overages and shortages in cash drawers was not established.*

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.*

Management Response: We concur with the findings. Since the Library assigns multiple employees to each register, it is difficult to establish individual responsibility for any overages or shortages. The Library fiscal administration reviews all overages and shortages on a daily basis. Any excessive overage or shortage is investigated. The Library is developing a plan to conduct multiple cash counts throughout the day to mitigate this risk.

Finding: *There was an inadequate separation of duties between cash receipting, the transfer of receipted funds to the safe, and the preparation of the deposit.*

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.*

Management Response: We concur with the findings. The library manager has established procedures to ensure that the closing cashier is not preparing the deposit in the morning. Furthermore, a new system-wide procedure is implemented to count and document cash receipts prior to the closing.

We have detailed additional 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 at the Millcreek Library (Library) are as follows:

- *The Library's change fund balance was over its authorized amount.*
- *"Fine and Fee Waiver" forms were not used in numerical sequence.*
- *The staff who authorize and approve the "Fine and Fee Waiver" forms occasionally only initialed the forms.*
- *Receipts for "No Sale" transactions did not always include an explanation for the "No Sale" and were not always initialed.*

The Library's change fund balance was over its authorized amount. The total change fund is divided into two cash drawers, the copier, and the EnvisionWare machine. The total change fund per the amounts in the cash drawers and coin boxes totaled \$281.00; however, the authorized change fund for the Millcreek Library is \$250.00, per the Petty Cash and Other Imprest Accounts report prepared by the County Mayor Financial Administration section. Therefore, the change fund was not maintained at its authorized balance and there was an overage of \$31.00.

When the change fund is over the authorized amount, there could be an indication that there is a lack of control over the fund. Neither, the Library Manager, the Circulation Supervisor, nor the Fiscal Manager could explain how the change fund had an extra \$31.00.

Countywide Policy #1062, "Management of Public Funds," Section 5.2 states,

Any overages will be deposited into the agency's depository account and reported on MPF Form 3, DAILY CASH BALANCE, MPF Form 10, CASH OVER/SHORT LOG and on the Monthly Report of Cash Receipts.

RECOMMENDATION:

We recommend that the amount be deposited and reported as an overage to bring the change fund to its authorized balance.

ACTION TAKEN: *We discussed the overage with the Library Manager, the Circulation Supervisor, and the Fiscal Manager. The overage was deposited with the daily receipts which brought the change fund to the authorized amount of \$250.00.*

“Fine and Fee Waiver” forms were not used in numerical sequence. 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 transactions 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. Figure 1, below, shows the total count and amount for the monthly waivers from April 2012 through September 2012.

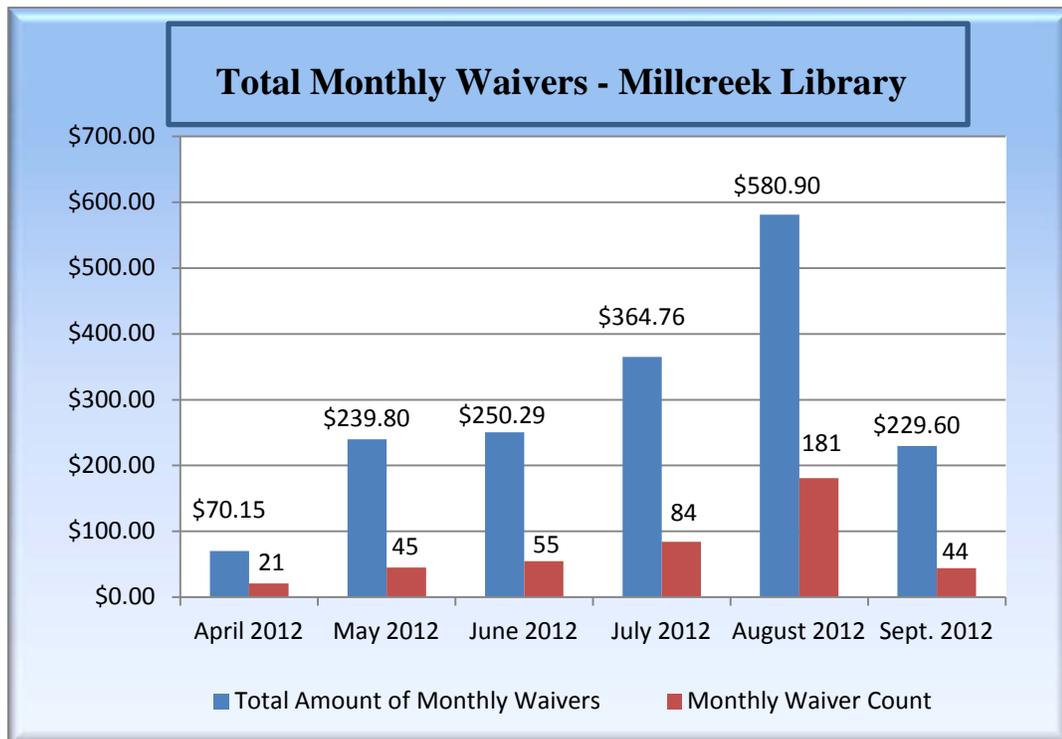


Figure 1: Monthly waivers at Millcreek Library increase during the summer months due to special waivers given to patrons who read in exchange for waiving fines on their library patron records.

We examined 61 “Fine and Fee Waiver” forms that were completed on the 30 deposit dates 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 was completed in all cases except when the waiver was initiated over the phone.

We noted, however, that the forms were not used in numerical sequence. 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 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 "Fine and Fee Waiver" form, it should be marked "void," retained with the Library copies of the forms, and 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. 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 internal controls be implemented to ensure that waiver forms are used sequentially.

The staff who authorize and approve the "Fine and Fee Waiver" forms occasionally only initialed the forms. During our review of the "Fine and Fee Waiver" forms, we noted 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.

ACTION TAKEN: *The Circulation Supervisor and Assistant Circulation Supervisor will enforce signatures on the forms.*

Receipts for "No Sale" transactions did not always include an explanation for the "No Sale" and were not always initialed. 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 always 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.

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 and initialed by the person who initiated the "No Sale."

RECOMMENDATION:

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.

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 Library System and a capital assets report for the Millcreek Library. The capital assets report showed seven capital assets for the Millcreek 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 noted that:

- **Three controlled assets were found at Millcreek Library that were not on the Controlled Assets Inventory List.**

Three controlled assets were found at Millcreek Library that were not on the Controlled Assets Inventory List. We obtained current copies of both of the Controlled Assets Inventory Lists and examined a statistical random sample of 103 controlled assets. We were able to locate and identify all 103 controlled assets in the sample. We found that the controlled assets included in our sample were properly identified and documented in the Library’s controlled asset records.

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. One of the three assets had a library Bar Code tag on them. Table 1, 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
31181066353260	RFID Antennae	Tech Logic
None	Monitor	Dell
None	Computer	Dell

Table 1: *Three controlled assets were found at the Millcreek Library that were not on the Controlled Assets Inventory List.*

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.”

Controlled assets are sensitive to conversion to personal use when they are not 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.

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. The Controlled Assets Inventory List for computer-related assets needs to be updated. We learned through discussions with the Library IS staff that the Library acquired the computer and monitor with the building via the contractors. When it was brought to their attention, the IS staff assigned bar code numbers to these assets and added them to the Controlled Assets Inventory List.

We commend those in charge of tracking and safeguarding the controlled assets at the Millcreek Library for their attention to maintaining the Controlled Assets Inventory Lists for the Millcreek Library.

RECOMMENDATION:

We recommend that the Controlled Asset Inventory Lists be updated on a continuous basis to accurately reflect the assets at the Millcreek Library.

ACTION TAKEN: *We worked with staff in Library IS who added the three assets to the Controlled Assets Inventory List.*

In closing, we express appreciation to the staff at the Millcreek 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

By: 
Cherylann Johnson, MBA, CIA, CFE
Senior Deputy Auditor

cc: James D. Cooper
Suzanne Tronier
April Townsend
Javaid Lal



January 14, 2013

HUMAN SERVICES
DEPARTMENT

"Making a positive
difference"

Gregory P. Hawkins
Salt Lake County Auditor
2001 S. State Street – N3300
Salt Lake City, UT 84190

RE: Management Response to the Limited Scope Audit for the Millcreek
Community Center Library

Dear Mr. Hawkins:

This letter is in response to the draft audit report of the Millcreek Community Center Library. We'd like to thank Cherylann Johnson, the lead auditor for planning and completing limited scope audit in accordance with the Countywide Policy # 1062 and 1125. The draft audit report was presented to the Library Administration on January 03, 2013. .

Attached are the Library management's written responses. As reflected in the responses, we are committed to strengthen our internal financial controls and reasonably implement audit recommendations whenever applicable. If you have any questions or require further information, please call me at 801-944-7504.

JAMES D. COOPER
LIBRARY DIRECTOR
jimcooper@slcolibrary.org

Sincerely,

A handwritten signature in blue ink that reads 'James D. Cooper'. The signature is stylized and cursive.

James D. Cooper, Director

**LIBRARY
ADMINISTRATION**

8030 SOUTH 1825 WEST
WEST JORDAN CITY
UTAH 84088-5625
PHONE: (801) 943-4636
FAX: (801) 561-3506

slcolibrary.org

**A Limited Scope Audit of the Millcreek Library
Management Response to the Additional Findings**

Finding # 1

The Library's change fund balance was over its authorized amount.

Recommendation:

We recommend that the amount be deposited and reported as an overage to bring the change fund to its authorized balance.

Action Taken:

We discussed the overage with the Library Manager, the Circulation Supervisor, and the Fiscal Manager. The overage was deposited with the daily receipts, which brought the change fund to the authorized amount of \$250.00.

Finding # 2

"Fine and Fee Waiver" forms were not used in numerical sequence.

Recommendation:

We recommend that internal controls be implemented to ensure that waiver forms are used sequentially

Management Response:

We concur with the findings. The Library is developing an electronic waiver form with a unique transaction ID and proper audit trail.

Finding # 3

The staff who authorize and approve the "Fine and Fee Waiver" forms occasionally only initialed the forms.

Recommendation:

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

Action taken:

The Circulation Supervisor and Assistant Circulation Supervisor will enforce signatures on the forms.

Finding # 4

Three controlled assets were found at Millcreek Library that were not on the Controlled Assets Inventory List.

Recommendation:

We recommend that the Controlled Asset Inventory Lists be updated on a continuous basis to accurately reflect the assets at the Millcreek Library.

Action taken:

We worked with staff in Library IS who added the three assets to the Controlled Assets Inventory List.

###