

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR



An Audit of the Key Controls of
Kearns Library

July 29, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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July 29, 2013

Ben McAdams, Mayor
Salt Lake County
2001 S State St #N2100
Salt Lake City, UT 84114-4575

Re: An Audit of the Key Controls of Kearns Library

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Kearns Library in compliance with Utah Code Ann. § 17-19a-204. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that we have identified as key to good financial management. We also sought to identify areas of material risk to determine whether we should commit more of our limited resources in further auditing or investigation. A report of our findings and recommendations is attached.

Our work was designed to provide reasonable but not absolute assurance that records were accurate and complete and that the system of internal controls was adequate. There may be inaccurate or incomplete financial records that were not selected for review. Further, there may also be instances of noncompliance in areas not examined.

We appreciate the time spent by the staff at Kearns Library and the cooperation from Javid M. Lal, Jennifer Fay, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Kearns Library during our audit. The staff was friendly, courteous, and very helpful. We trust that the implementation of the recommendations will provide for more efficient operations and better safeguarded County assets. Please feel free to contact me with any questions.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By Scott Ball
Deputy Auditor

cc: Jim Cooper, Library Director
Javid M. Lal, Fiscal Manager
Jennifer Fay, Library Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Kearns Library. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that are key to good financial management. We also sought to identify areas of material risk.

Conclusion

Kearns Library has put into place key internal controls for managing public funds, safeguarding public assets, accessing sensitive information, and payroll reporting. Most risks identified were minor and would not be expected to result in the material loss of County assets. However, the risks discovered dealing with asset inventories and inadequate controls over checks received in the mail have a higher likelihood of leading to loss of County property. Also, security of personal identifiers transmitted over the internet is insufficient.

Findings, Recommendations, and Management Responses

Finding # 1 - Personal data was unsecured during the online library card sign up process.

Risk Level: High

Salt Lake County Code of Ordinances Chapter 2.81 "Security of Personal Identifiers," Section 2.81.020 states:

"Each agency shall have in place a written regulation or policy which establishes procedures for the secure collection, maintenance, transmission, transfer, or disposal of personal identifiers."

The public can sign up for a library card on the Internet. When the public signs up for a library card through the Internet, the information goes across the wire plain text (non-SSL) and is not secure.

We observed that personal identifiers were entered into the online form and sent to Library Services unprotected.

Unsecured personal identifiers are an unnecessary liability for the County.

Recommendation

We recommend that Library Services establish an SSL certificate in the area of the website intended for signing up for a library card.

Management Response

Library IT department has started SSL certification process for the web application. Salt Lake County Library regularly reviews its systems and processes to ensure that patrons' information is protected and meets industry standards.

Finding # 2 - The Controlled Assets Inventory Form-Employee was not being used.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property and Assets," Section 4.3 states:

"The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures. 4.3.1 Exhibit 3 - 'Controlled Assets Inventory Form-Employee' is used for those assets that due to their nature, are used by and therefore readily assignable to an individual."

Within Kearns Library, some assets, such as computers and printers, were assigned to specific employees. The controlled asset list provided during our fieldwork did not indicate to which employee the assets were assigned. In addition, the "Controlled Assets Inventory Form-Employee" was not in use.

When accountability for assets is not fully established, assets are at a greater risk of being lost or stolen.

Recommendation

We recommend that assets readily assignable to one employee be included on the "Controlled Assets Inventory Form-Employee" and that the employee sign a new form each year.

Management Response

The majority of the Kearns Library computers and printers have a shared use. Library manager is ultimately responsible for custody of such assets. Library management will identify individually assigned assets and complete "Controlled Assets Inventory Form-Employee" during our June 2013 controlled assets inventory.

Finding # 3 - An SAQ representing Library Agency management's compliance with PCI had not been completed and was not on file.

Risk Level: Low

Countywide Policy #1400-7 "Payment Card Industry Data Security Standard Policy," Section 3.0 states:

“Any County agency that accepts, processes, transmits or stores cardholder data using any County IT Resource or system shall comply with the Payment Card Industry Data Security Standard (PCI-DSS) in its entirety.”

An SAQ representing Library Agency management's compliance with PCI had not been completed and was not on file.

Not completing this self-evaluating questionnaire for PCI-DSS increases the risk of fines and an inability of accepting credit cards as payments.

Recommendation

We recommend that Library Agency management complete and sign an annual SAQ and that Kearns Library keep a copy of the SAQ on file to show they are aware of and compliant with PCI requirements.

Management Response

Salt Lake County Library's IT department is working on a system-wide PCI compliance process. The Library is currently at 78% completion on SAQ-C certificate based on data from a third party PCI scanning service. A plan is in place to complete Level-C compliance in 2013. Kearns Library is not directly responsible for an SAQ and compliance with PCI.

Finding # 4 - Receipts could be re-printed for prior transactions.

Risk Level: Low

Standard business practice is that cashiers should not be able to reprint receipts from prior transactions.

During the course of our review we found that receipts for prior transactions could be re-printed. The reprinted receipt was identical to the original receipt.

When receipts are not sequential and/or can be reprinted, the accuracy and completeness of transactions cannot be ensured. The risk of errors and misappropriation of funds is increased.

Recommendation

We recommend that the ability of cashiers to reprint a receipt for an existing transaction be disabled.

Management Response

The ability to reprint is built-in feature in the Point of Sale (POS) software. All financial transactions have a unique transaction ID # with time and data stamp that reduces potential risks associated with such document. However, the Library will contact the POS software developer to review this feature. However, in some cases, a reprint of receipt is required to assist library patrons.

Finding # 5 - There is more than one cashier to a cash drawer.

Risk Level: Low

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 Auditor's office. This reporting can be accomplished informally by email."

The Kearns Library cashiers did not balance their cash drawers when changing cashiers. Accountability of cash overages and shortages could not be identified to individuals.

When cash overages and shortages are not reported by each individual cashier, Agency Management will not be able to determine when a significant pattern of shortages occurs for a cashier.

Recommendation

We recommend that each cashier record daily any overages or shortages on MPF Form 11.

Management Response

Due to low volume and low monetary value of transactions, West Jordan Library staff and Library Fiscal department staff reviews all shortages and overage in the aggregate on daily basis. All outages over \$2 are reviewed and investigated to identify patterns. It would not be cost-effective for the library to assign a dedicated cashier to each cash register. The Library staff is cross-trained in different areas of library operations to better utilize their time and to provide better customer service.

Finding # 6 - Controls over payments received in the mail were not adequate.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.1.5 states:

"Agency Management and Fiscal Managers shall establish internal control procedures tailored to their operational requirements. These controls should be designed to prevent payments by check through the mail from being lost, stolen, or diverted to personal use."

When checks are received in the mail, the Custodian opens the checks alone and prepares them for deposit.

The Custodian stated that she was not aware of the policy requirement.

When checks are not opened by two people and included on a check log, there is an increased risk that funds will be lost or diverted to personal use. Lack of segregation of duties over billing or tracking and receipting payments increases this risk.

Recommendation

We recommend that all checks received in the mail be opened under the supervision of two people and included on a check log, or otherwise documented.

We recommend that the check log be reconciled to amounts deposited by a different individual than the person who prepares the deposit.

Management Response

Payment in the mail is a rare occurrence at Salt Lake County library branches. Library management will advise all Circulation Supervisors to read Countywide Policy # 1062 and create a check log to record payments in the mail.

Additional Information

Background

The Kearns Library is located at 5350 South 4220 West, Kearns, Utah. The mission of Salt Lake County Library Services is to make a positive difference in the lives of customers by responsively providing materials, information, and services at community libraries located throughout the Salt Lake Valley. In early 1939, the Salt Lake County Library opened in two rooms of the old Midvale School. Today over 70% of area residents hold a library card. To serve the needs of a growing and diverse population, Salt Lake County operates 19 libraries and two reading rooms. Advancements in library technology has allowed express check-in at several locations, self-checkout at all libraries, and access to the world of electronic information through a new library website.

Scope

Our work included a formal examination of financial records related to the following key internal controls, to the degree applicable:

- Change fund
- Petty Cash and Imprest Accounts
- Cash Receipting
- Cash Depositing
- Credit / Debit Card
- Capital and Controlled Assets and Software Inventory
- Financial Computer Controls
- Purchasing Card Use
- Payroll Practices

Our examination period covered up to twelve months ending March 31, 2013. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices.