

A REPORT  
TO THE CITIZENS OF SALT LAKE COUNTY  
BEN McADAMS, MAYOR



An Audit of the Key Controls of  
Columbus Library

December 31, 2013

**GREGORY P. HAWKINS**

SALT LAKE COUNTY AUDITOR

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December 31, 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 Columbus Library

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Columbus 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 Columbus Library and the cooperation from Darlene Nethery, Columbus Library Manager, Vetta Osborne, Circulation Supervisor, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Columbus 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  
Javaid M. Lal, Fiscal Manager  
Darlene Nethery, Columbus Library Manager





## Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Columbus 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

Columbus Library has put into place several 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, security of personal identifiers transmitted over the internet is insufficient. Also, the risks discovered dealing with asset and software inventories and inadequate controls over receipt re-printing have a higher likelihood of leading to loss of County property.

## Findings and Recommendations

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***Finding # 1 - Personally identifiable information was unsecure during the online library card sign-up process.***

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**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."

When the public signs up for a library card through the Internet, the information is transmitted as plain text, which is unencrypted (non-SSL) and not secure.

When personally identifiable information is not secure, there is an increased risk of information being lost, stolen, or diverted for personal use.

### ***Recommendation***

We recommend that Library Services secure personally identifiable information transmitted during the online library card sign-up process.

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***Finding # 2 - Internal Controls over payments received in the mail were not adequate.***

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**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."

We observed that 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 received through the mail are not opened under dual control 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 dual control and included on a check log, or otherwise documented.

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

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**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-DSS had not been completed and was not on file.

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

***Recommendation***

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

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***Finding # 4 - Cashiers were not individually accountable for overages and shortages.***

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**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."

The Columbus 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, tracking potential problems becomes more difficult, cashier accountability decreases, and the risk of funds being lost, stolen, or diverted for personal use increases.

***Recommendation***

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

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***Finding # 5 - "No sales" and "no money taken" transactions were not documented with an explanation and reviewed and signed by a supervisor.***

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**Risk Level: Low**

Library Agency Administrative Policy, Section 2.1.3.7.2 states:

"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."

In 6 of 37 "no-sales" and "no money taken" transactions examined, an explanation was not provided on the receipt and they were not reviewed and signed by a supervisor.

When "no-sale" and "no money taken" transactions are not documented, reviewed, and signed by a supervisor, there is an increased risk of funds being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that "no-sale" and "no money taken" transactions be documented with an explanation and reviewed and signed by a supervisor.

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***Finding # 6 - The "Controlled Assets Inventory Form-Employee" was not being used.***

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**Risk Level: Low**

Countywide Policy #1125, "Safeguarding Property/Assets," Sections 4.3 and 4.3.1 state:

"The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures...[the] '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."

The form "Controlled Asset Inventory Form - Employee" was not used to manage controlled assets assigned to employees.

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

***Recommendation***

We recommend that Columbus Library use the "Controlled Asset Inventory Form - Employee" to manage controlled assets readily assignable to an individual.

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***Finding # 7 - Receipts could be reprinted for prior transactions.***

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**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 reprinted. The reprinted receipt was identical to the original receipt.

When receipts can be reprinted, the accuracy of transactions cannot be ensured and the opportunity for misappropriation of funds is increased.

***Recommendation***

We recommend that the ability for cashiers to reprint a receipt be disabled.



## **Additional Information**

### **Background**

Columbus Library is located at 2530 South 500 East in the beautiful, newly remodeled, Spanish style Columbus School building and offers a wide selection of Children and Adult material. Enjoy the work of local artists as you browse a wide assortment of DVD's, CD's, and Books on CD or look for a book. The building also houses Salt Lake County Parks and Recreation and a Senior Citizen Center. Enjoy a class put on by Parks and Rec and then learn more about it at the library or enjoy the book talks, storytimes and other programs sponsored by the library.

### **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 August 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.

Management response to findings in this report, when received, will be attached as Appendix A.





HUMAN SERVICES  
DEPARTMENT  
"Making a positive  
difference"

January 31, 2014

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

RE: Management Response to the Audit of the Key Controls of Salt  
Lake County Columbus Library

Dear Mr. Hawkins:

This letter is in response to the audit report of Salt Lake County Columbus Library. We'd like to thank Deputy Auditor Scott Ball for planning and completing the audit in accordance with Utah Code Ann. §17-19a-204.

As reflected in our responses, we are committed to strengthening our internal financial controls and reasonably implement the audit recommendations.

If you have any questions or need any additional information, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'James D. Cooper', is written over a printed name and title.

James D. Cooper  
Director

JAMES D. COOPER  
LIBRARY DIRECTOR  
jimcooper@slcolibrary.org

LIBRARY  
ADMINISTRATION

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**Salt Lake County Columbus Library  
Management Response to the Audit Findings**

Salt Lake County Library management is ultimately responsible for implementing internal controls to protect assets, information and to ensure policy objectives are achieved. The Columbus Library conforms to the County policies and procedures as directed by the Library Management. All policies and procedures are implemented system-wide with few exceptions.

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**Findings # 1** - Personally Identifiable Information was unsecure during the online library card sign up process.

Risk Level: High

**Recommendation**

We recommend that Library Services secure personally identifiable information transmitted during the online library card sign up process.

**Management Response**

*Action Taken: The Library is the process of implementing secured online application. Hardware upgrade is required to access secured application on Public Access Computers (PACs) within the library.*

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**Finding # 2** – Internal controls over checks received through the mail were not adequate.

Risk Level: Low

**Recommendation**

We recommend that the duty of opening the mail and summarizing the receipt of checks be separated from the cash receipting duty, or that compensating controls be adopted.

**Management Response**

*Action Taken - The Library staff is now required to keep a log of checks received in the mail and also retain a copy of the deposit receipt as a proof of deposit and credit to patron's account.*

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**Finding # 3** - An SAQ representing Library Services' compliance with PCI-DSS had not been completed and was not on file.

Risk Level: Low

**Recommendation:**

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

**Management Response**

*Salt Lake County Library is currently working towards a system-wide PCI compliance. The Library is at 85% completion on SAQ-C certificate based on scanning data from a third party*

PCI scanning service. A plan is in place to complete Level-C compliance in 2014. The Library is also working with the County Information Services to provide PCI Awareness Training to Library staff that handles credit card payments.

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**Finding # 4** – Cashiers were not individually accountable for overage and shortages.

Risk Level: Low

**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, the Columbus Library staff and library fiscal department staff reviews all shortages and overages in the aggregate on daily basis. All outages or shortages 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. Library staff is cross-trained in different areas of library operations to better utilize their time and to provide better customer service*

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**Finding # 5** - "No-sale" and "no money taken" transactions were not documented with an explanation and reviewed and signed by a supervisor.

Risk Level: Low

**Recommendation**

We recommend that "no-sale" and "no money taken" transactions be documented with an explanation and reviewed and signed by a supervisor.

**Management Response:**

*Action Taken: Library staff is instructed to provide explanation on all "no-sale" and "no money taken" receipts.*

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**Finding # 6** - The "Controlled Assets Inventory Form-Employee" was not being used.

Risk Level: Low

**Recommendation**

We recommend that Columbus Library use the "Controlled Asset Inventory Form Employee" to manage controlled assets readily assignable to an individual.

**Management Response:**

*Library management will identify individually assigned assets and completed the "Controlled Assets Inventory Form-Employee" during our annual controlled assets inventory.*

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**Finding # 7** – Receipts could be reprinted for prior transactions.

Risk Level: Low

***Recommendation:***

We recommend that the ability for cashiers to reprint a receipt be disabled.

***Management Response:***

The ability to reprint is built-in feature in our Point of Sale (POS) software. All financial transactions have a unique transaction ID # with time and data stamp and a reprint receipt is easily identifiable that reduces potential risks associated with such document. In some cases, a reprint of receipt is required to assist library patrons.

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