

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



An Audit of the Key Controls of  
Calvin S. Smith Library

January 02, 2014

**GREGORY P. HAWKINS**

SALT LAKE COUNTY AUDITOR

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January 02, 2014

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 Calvin S. Smith Library

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Calvin S. Smith 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 Calvin S. Smith Library and the cooperation from Lisa Peck, Circulation Supervisor, Timothy Hinkle, Library Assistant, Jennifer McDonald, CSS, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Calvin S. Smith 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 Anita C. Kasal  
Deputy Auditor

cc: Jim Cooper, Library Director  
Javaid M. Lal, Administrative and Fiscal Manager  
Sara Wever, Library Manager

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## Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Calvin S. Smith 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

The Calvin S. Smith Library has put into place some key internal controls for managing public funds, safeguarding public assets, and payroll reporting. Most risks identified were minor and would not be expected to result in the material loss of County assets. Deficiencies in certain internal controls over the waiver process, the periodic counting of the change fund, and the cash receipting procedures have a higher likelihood of leading to a loss of County property.

## Findings and Recommendations

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***Finding # 1 - A waiver was split to circumvent the Library's waiver policy.***

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### **Risk Level: Moderate**

Library Fiscal Management, Fine and Fee Waiver Operating Standards and Procedures (rev. 1/31/2009), page 1, paragraph 1, subparagraph 3 states:

"Fine or fees which are greater than \$10.00 must be approved by the supervisor before the waiver can be granted."

A cashier split a waiver to circumvent the need for a supervisor's signature.

The cashier explained that she did two waivers because she knew she needed a supervisor to override any amount over \$10 and no one was available to do it.

When a cashier chooses to circumvent waiver policy by splitting amounts over \$10, funds are at a greater risk of being lost, stolen, or diverted for personal use.

### ***Recommendation***

We recommend that cashiers obtain proper waiver authorization.

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***Finding # 2 - Keys to the copier and printer machines, lock box, and other areas were left unsecured.***

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**Risk Level: Moderate**

Countywide Policy #1062, "Management of Public Funds," Section 2.3.1 states:

"Based on a cost-benefit analysis addressing adequate security, a locking cashbox, safe, or vault shall be provided by County Agencies. The County Agency's Fiscal Manager will ensure that individual accountability and effective security is established and maintained for funds entrusted to each Cashier..."

The auditor observed that the keys for accessing the coin boxes on machines, the cashier's drawer, and the lock box near the safe were unsecured on a shelf beneath the cashier's station.

When keys are not safeguarded, funds are at a greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that keys to the lockbox and coin boxes be secured when not in use.

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***Finding # 3 - Waivers were not always properly approved before being granted.***

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**Risk Level: Moderate**

Library Fiscal Management, Fine and Fee Waiver Operating Standards and Procedures (rev. 1/31/2009), page 1, paragraph 1, subparagraphs 1 and 3 state:

"Fines under \$10.00 may be waived by the staff member by completing the waiver form and having it approved, after the fact, by a supervisor...Fine or fees which are greater than \$10.00 must be approved by the supervisor before the waiver can be granted."

We examined eight waivers greater than \$10 from July 2013 and found that two of them had the same signature for both cashier and supervisor; and seven of of them were granted before they were approved. When waivers under \$10 were examined six out of twenty-six waivers were signed by the person issuing the waiver and not by a supervisor.

The following day the auditor observed that a Daily Waiver Confirmation report was printed and signed the next day during deposit preparation as the authorization for the waivers.

When waivers are not properly approved, funds are at a greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that waivers exceeding the \$10 limit be properly approved by a supervisor before being granted.

We recommend that all waivers be signed by the staff member originating the waiver and a supervisor who is not involved in the transaction.

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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 2.3.1 states:

"The County Agency's Fiscal Manager will ensure that individual accountability and effective security is established and maintained for funds entrusted to each Cashier."

We observed that multiple cashiers shared the same cash drawer. This did not provide individual accountability for funds entrusted to each cashier.

Multiple cashiers accessing a single cash drawer decreases individual cashier accountability for overages and shortages, and increases the risk of funds being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that individual accountability be established for funds entrusted to each cashier.

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***Finding # 5 - Merchandise inventories were not tracked.***

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**Risk Level: Low**

United States General Accounting Office, Executive Guide, "Best Practices in Achieving Consistent, Accurate, Physical Counts of Inventory and Related Property," Page 5, states:

"Managing the acquisition, production, storage, and distribution of inventory is critical to controlling cost, operational efficiency, and mission readiness. Proper inventory accountability requires that detailed records of produced or acquired inventory be maintained, and that this inventory be properly reported in the entity's financial management records and reports...The ability to accurately count physical inventories is critical in verifying that inventory actually exists and that on-hand balances agree with financial and logistical records."

The Library was not tracking their merchandise inventory. We found no record of inventory tracking and reconciling of items such as book bags, ear bud headphones, flash memory drives and replacement library cards.

When inventory is not tracked and reconciled, revenue and inventory on hand is at a greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that the Calvin S. Smith Library track and reconcile their merchandise on hand.

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***Finding # 6 - The change fund in the coin box stations was not counted periodically.***

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**Risk Level: Low**

Salt Lake County Library, "Operating Standards and Procedures: Cash Handling," Section 3.1 states:

"All cash drawers, copiers and coin box stations are balanced out and turned in daily."

The library was placing a part of their change fund in locking coin boxes housed on machines for printing. The auditor discovered that the coin boxes were not counted or maintained by library administration on any periodic schedule. Balancing was only happening with meter readings. The Envisionware printer was missing \$4.70 in its change fund.

The circulation supervisor stated that she was unable to report the last time the coin box was emptied and counted fully. She knew of no count that had happened in the past several months. Also her library manager had reported that the Envisionware printer was malfunctioning.

When the coin box stations are not counted periodically, funds are at a greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that the Calvin S. Smith Library perform a periodic count of the coin boxes and verify meters are working properly.

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***Finding # 7 - The end-of-the day cashier count was not properly signed.***

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**Risk Level: Low**

Countywide Policy #1062, "Management of Public Funds," Section 3.8.1.1 states:

"...the cash balance sheet should be signed by the cashier for each cash register or location where cash is accepted."

The two-person count at the end of the day was entered into Smart Money Manager and a Cash Drawer Count summary receipt was printed, but the cashiers were not signing the summary receipt.

When the cashier balance sheet is not signed by the cashiers performing the count, funds are at a greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that the Cash Drawer Count summary receipt be signed by the two cashiers and retained with the deposit documentation.

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***Finding # 8 - Voids were not always handled in accordance with Countywide policy.***

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**Risk Level: Low**

Countywide Policy #1062, "Management of Public Funds," Section 3.7.3 states:

"A supervisor who was not involved with the transaction will review and sign one copy of the voided receipt, along with the cashier who initiated the void. All voided receipts will be attached to the daily cash balance sheet for audit purposes."

We reviewed two voids in a 30-day period and found that neither were signed by a supervisor as evidence of review.

When voided transactions are not processed according to Countywide policy, funds are at a greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that supervisors sign voided receipts as evidence of review.

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***Finding # 9 - Personally Identifiable Information was unsecured during the online library card sign-up process.***

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**Risk Level: Low**

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.

The Library website administration manager stated that they are aware of this problem, and that it will be remedied when the current software is replaced in December 2013.

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 # 10 - Cashiers did not sign a fund transfer log when moving the change fund to and from the safe.***

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**Risk Level: Low**

Countywide Policy #1062, "Management of Public Funds," Section 2.7.5 states:

"Cashiers shall sign an MPF Form 7, Fund Transfer Ledger, or similar log, each time they retrieve the change fund from the safe or lockbox; and return the fund to the safe or lockbox."

Cashiers were not using a fund transfer log to document the daily movement of the change fund to and from the safe.

When accountability for funds is not documented, funds are at a greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that cashiers use an MPF Form 7, "Fund Transfer Ledger," or similar log, to record the movement of the change fund to and from the safe.

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***Finding # 11 - The name of the change fund custodian did not match Mayor's Financial Administration records.***

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**Risk Level: Low**

Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Section 8.3.2 states the following regarding the assumption of duties of a new custodian:

"Responsibility remains with the current Custodian until the final MPF Form 6 is completed and submitted with the signed MPF Form 2 to the Auditor [Mayor's Financial Administration]. Only when these steps are accomplished will responsibility transfer to the new Custodian."

The custodian of record last worked at the Calvin S. Smith Library in 2008.

When the name of the change fund custodian is not updated with Mayor's Financial Administration, responsibility and accountability for the fund may be compromised.

***Recommendation***

We recommend that the Calvin S. Smith Library update the name of the change fund custodian by filling out Section II of MPF Form 2 and submitting it to the Mayor's Financial Administration.

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***Finding # 12 - Deposits were not always made in a timely manner.***

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**Risk Level: Low**

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."

We found that 11 out of 30 deposits examined were deposited more than three days after receipt of collections.

When funds are not deposited on a timely basis, they are more susceptible to loss or theft. In addition, interest is lost that would otherwise be accrued.

***Recommendation***

We recommend that funds be deposited on the same day, whenever practicable, but no later than three days after receipt.

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***Finding # 13 - Receipts were not consistently issued to patrons.***

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**Risk Level: Low**

Countywide Policy #1062, "Management of Public Funds," Section 3.5.1 states:

"Cashiers will prepare a receipt for all remittances made in person 'over-the-counter.' A receipt will be given to the person tendering payment."

The cashier was asking patrons if they wanted a receipt so receipts were not always given to the person tendering payment.

When receipts are not consistently issued to patrons, County funds are at a greater risk of being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that a receipt be given to all patrons tendering payment in person.

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***Finding # 14 - 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. Library Agency is currently working on a system-wide compliance and they have a plan in place to complete the Level-C compliance in 2013.

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 Calvin S. Smith Library keep a copy of the SAQ on file to show they are aware of and compliant with PCI-DSS requirements.

## **Additional Information**

### **Background**

The Calvin S. Smith Library is located at 810 East 3300 South and has been part of the south Salt Lake City neighborhoods since 1943. It has all the amenities of a larger library, including a newly remodeled public computer room with wireless internet access, but retains the more personal atmosphere of a smaller library. 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. 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. Serving the needs of a growing and diverse population.

### **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"

December 23, 2013

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 Calvin S. Smith Library

Dear Mr. Hawkins:

This letter is in response to the audit report of Salt Lake County Calvin S. Smith Library. We'd like to thank Anita Kasal 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 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 'Cooper', with a long horizontal stroke extending to the right.

James D. Cooper  
Director

**JAMES D. COOPER**  
LIBRARY DIRECTOR  
jimcooper@slcolibrary.org

**LIBRARY  
ADMINISTRATION**

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**Salt Lake County Calvin S. Smith 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. Calvin S. Smith 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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**Finding # 1** - A waiver was split to circumvent the Library's waiver policy.

Risk Level [Moderate](#)

**Recommendation**

We recommend that cashiers obtain proper waiver authorization.

**Management Response**

*The finding was discussed with the Library Manager and Circulation Supervisor. Smith Library has requested an exception to the procedure due to unavailability of the supervisor during non-business hours or lunch breaks. In the absence of a supervisor, the exception would allow a non-supervisor (person in-charge) to approve a waiver. The supervisors will then review and approve the waiver later. This will allow compliance with the library standard operating procedures.*

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**Finding # 2** - Keys to the copier and printer machines, lock box, and other areas were left unsecured.

Risk Level [Moderate](#)

**Recommendation**

We recommend that keys to the lockbox and coin boxes be secured when not in use.

**Management Response**

*Action Taken - The Library has sent a work request to install a key box to secure the keys.*

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**Finding # 3** - Waivers was not always properly approved before being granted.

Risk Level [Moderate](#)

**Recommendation**

We recommend that waivers exceeding the \$10 limit be properly approved by a supervisor before being granted. We recommend that all waivers be signed by the staff member originating the waiver and a supervisor who is not involved in the transaction.

**Management Response**

*The Smith Library Manager and Circulation Supervisor have agreed to enforce compliance with the procedure. Exception to the standard operating procedure (please refer to the finding # 1) would allow at least two library employees to review a waiver in absence of a supervisor.*

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

Risk Level **Low**

**Recommendation**

We recommend that individual accountability be established for funds entrusted to each cashier.

**Management Response**

*Due to low volume and low monetary value of transactions, the Smith 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** - Merchandise inventory was not tracked.

Risk Level **Moderate**

**Recommendation**

We recommend that Calvin S. Smith Library track and reconcile their merchandise on hand.

**Management Response**

*The Library plans to use Smart Money Manager (SMM), library's Point of Sale software to track merchandise inventory. The POS vendor has indicated that SMM can manage and automatically track on going inventory in the POS software. The Library plans to test and adopt First in, First-out (FIFO) inventory method in next few weeks.*

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**Finding # 6** - The change fund in the coin box stations was not counted periodically.

Risk Level **Low**

**Recommendation**

We recommend that the Calvin S. Smith Library perform a periodic count of the coin boxes and verify meters are working properly.

**Management Response**

*Action Taken – The Smith Library has scheduled a monthly reconciliation of the coin boxes.*

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**Finding # 7** - The end-of-the day cashier count was not properly signed.

Risk Level **Low**

**Recommendation**

We recommend that the Cash Drawer Count summary receipt be signed by the two cashiers and retained with the deposit documentation

**Management Response**

**Action Taken** - The end-of-the day cash count is being performed and signed daily by two library employees.

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**Finding # 8** - Voids were not always handled in accordance with Countywide policy.

Risk Level **Low**

**Recommendation**

We recommend that supervisors sign voided receipts as evidence of review.

**Management Response**

**Action Taken** - The Smith Library has enforced supervisory review and two signatures for void transactions.

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**Findings # 9** - Personally Identifiable Information was unsecure during the online library card sign up process.

Risk Level **Moderate**

**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 new Integrated Library System (ILS). The new system is designed to provide secure online library card sign up process.

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**Finding # 10** - Cashiers did not sign a fund transfer log when moving the change fund to and from the safe.

Risk Level **Low**

**Recommendation**

We recommend that cashiers use an MPF Form 7, "Fund Transfer Ledger," or similar log, to record the movement of the change fund to and from the safe.

**Management Response**

**Action Taken** - The Library staff is now maintaining a log to document the movement of the change fund to and from the safe.

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**Finding # 11** - The name of the change fund custodian did not match Mayor's Financial Administration records.

Risk Level **Low**

**Recommendation**

We recommend that the Calvin S. Smith Library update the name of the change fund custodian by filling out Section II of MPF Form 2 and submitting it to the Mayor's Financial Administration.

**Management Response**

*Action Taken – The name of the change fund custodian has been updated.*

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**Finding # 12** - Deposits were not always made in a timely manner.

Risk Level **Low**

**Recommendation**

We recommend that funds be deposited on the same day, whenever practicable, but no later than three days after receipt.

**Management Response**

*The Library makes every effort to deposit funds within the time allowed by the Utah Code. However, transportation of deposits to a central location adds an additional day to the depositing process. It is especially true for funds collected on Friday. The delivery of fees and fines collected on Friday does not make it to the bank until Tuesday and exceeds the time allowed. The alternate option as branch courier pick is not cost-effective. However, the Library Management will explore other feasible options for funds transfer logistics and timely deposits.*

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**Finding # 13** - Receipts were not consistently issued to patrons.

Risk Level **Low**

**Recommendation**

We recommend that a receipt be given to all patrons tendering payment in person.

**Management Response**

*The Library Management believes that receipts in question are not remittance receipts but books due date receipts that are optional to print. Our POS software automatically prints payment receipts unless receipt printing is manually disabled. Payment receipts are handed to the patrons by Smith staff.*

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**Finding # 14** - An SAQ representing Library Agency management's compliance with PCI-DSS had not been completed and was not on file.

Risk Level **Low**

**Recommendation**

We recommend that Library Agency management complete and sign an annual SAQ and that Calvin S. Smith 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.*

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