

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



An Audit of the Key Controls of
Whitmore Library

August 13, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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August 13, 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 Whitmore Library

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Whitmore 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 Whitmore Library and the cooperation from Kent Dean, Library Manager, Mary Rice, Circulation Desk Supervisor, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Whitmore 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 Leonardo Flores
Deputy Auditor

cc: Jim Cooper, Library Services Director
April Townsend, Associate Director Finance & Operations
Elizabeth Anguiano, Interim Administrative & Fiscal Manager
Kent Dean, Library Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Whitmore 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 Whitmore Library has put into place several key controls for managing public funds. Most risks identified were minor and not expected to result in material loss. Deficiencies in internal controls for segregation of duties, cash receipting, and PCI compliance have a higher likelihood of being a liability to the County. A report of the last audit of Whitmore Library was released to the public in December 2013.

Findings and Recommendations

Finding # 1 - Employees working as cashiers also prepared the deposit.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," states in the introduction:

"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. Supervisory oversight enforces the separation of duties, creates an atmosphere of employee accountability, and strengthens the control environment."

A previous audit conducted in 2013 found employees that performed cashiering duties also prepared the daily deposit. A retest showed that in like manner employees that performed cashiering duties also prepared the daily deposit.

When depositing duties are not segregated from cashiering duties, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the deposit be prepared by an employee who does not perform cashiering duties.

Finding # 2 - Individual accountability was not established for funds entrusted to each cashier.

Risk Level: Moderate

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."

Multiple cashiers used the same cash drawer throughout the day without establishing individual accountability by properly closing out the cash drawer and verifying the accuracy of the funds entrusted to them.

When individual accountability is not established for funds entrusted to each cashier, overages and shortages cannot be assigned to a particular cashier. Also, cashiers may feel less responsible than they would if they were individually accountable for funds entrusted to them. Additionally, access by multiple cashiers to the same cash drawer 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.

Finding # 3 - The cash drawer can be opened without an electronic record of the transaction.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Section 2.4.1 states:

"Each Agency shall acquire and maintain the systems and equipment necessary for the accurate receipting, recording, accounting, and safekeeping of public money."

The Library point-of-sale system allows cashiers to open the cash drawer without an electronic record of the transaction.

When a cash drawer can be opened without recording the transaction, accurate receipting, recording, accounting, or safekeeping of public money cannot be established.

Recommendation

We recommend that transactions conducted in the point-of-sale system result in an accurate receipting, recording, and accounting of public money.

Finding # 4 - An SAQ representing Library Services' compliance with PCI-DSS 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."

A previous audit conducted in 2013 found that an SAQ showing compliance with PCI-DSS had not been completed. A retest showed that an SAQ representing Library Services' compliance with PCI-DSS had still not been completed and was not on file.

When an agency is not compliant with PCI-DSS, there is an increased risk of cardholder data breaches, fines, and the inability to accept credit cards as payments.

Recommendation

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

Finding # 5 - Internal controls over payments received through 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."

A previous audit conducted in 2013 found that internal controls over payments received in the mail were not adequate. A retest showed that internal controls continue to be inadequate. We observed that the same employees who received payments through the mail also processed the transactions.

When checks received by mail are not properly safeguarded and documented, they are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the duties of posting and receiving payments be separated, or that compensating controls be adopted.

Finding # 6 - Deposits were not always made in a timely manner.

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 no later than three days after receipt."

A previous audit conducted in 2013 found that deposits were not made in a timely manner. A retest showed that in like manner 6 of the 30 deposits reviewed 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.

Action Taken: The Whitmore Library has recently changed its procedures to allow funds to be deposited on a daily basis.

Finding # 7 - The amount of the change fund on hand did not match the amount of record.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 2.7.1 states:

"Change Funds shall be maintained at the amount authorized by the Auditor's Office [Mayor's Financial Administration]. ..."

Additionally, Countywide Policy #1203, "Petty Cash and Imprest Funds," Sections 3.1.1 and 3.1.2 state:

"The requesting Agency shall complete MPF Form 2, 'Request for Modification or Establishment of Petty Cash, Change, or Other Imprest Fund.' The requesting Agency shall provide detailed justification for establishing a new account, or when requesting a change (increase or decrease) in the imprest amount of an existing account."

A previous audit conducted in 2013 found that the amount of the change fund on hand totaled \$364.50, a shortage of \$31.95 from the \$396.45 balance of record in Mayor's Financial Administration. Library Administration Management Response explained that during the construction of Millcreek Community Center Library a copier with funds was transferred to Whitmore Library. The Whitmore change fund was increased to reflect the addition and was never decreased once the copier returned to the Millcreek Community Center. Library Administration explained that the change fund balance would be adjusted with Mayor's Finance. A retest showed that the change fund was never adjusted and still reflects a total of 364.50, a shortage of \$31.95 from the \$396.45 balance of record in Mayor's Financial Administration.

When the change fund does not balance to the amount on record, it could indicate a lapse of management control of the fund.

Recommendation

We recommend that the change fund be maintained at its authorized amount or that the change fund balance be adjusted with Mayor's Financial Administration.

Additional Information

Background

The Whitmore Library is located at 2197 E. Ft. Union Boulevard in Salt Lake City. Whitmore Library is among the largest and busiest of nineteen County libraries. It houses an extensive collection of books, magazines, movies, music CD's and audiobooks. Twenty-four computer stations with Microsoft Word and Excel software installed, and free wireless Internet access are offered to the public. Printing from the Deseret News, Salt Lake Tribune, and New York Times microfilm collection is offered free of charge. The Whitmore Library successfully accomplishes Salt Lake County Library Services' mission which 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 and/or via the Internet.

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
- Accounts Receivable
- Accounts Payable
- Third Party Contracts

Our examination period covered up to twelve months ending June 30, 2014. 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. Retesting of prior audit findings was also performed, where applicable.

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



August 7, 2014

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

HUMAN SERVICES
DEPARTMENT

"Making a positive
difference"

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

Dear Mr. Hawkins:

This letter is in response to the audit report of Salt Lake County Whitmore
Library. We'd like to thank Leonardo Flores 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 '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**

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

slcolibrary.org

**Salt Lake County Whitmore 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 Whitmore 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.

Finding # 1 – Employees working as cashiers also prepared the deposit.

Risk Level: Moderate

Recommendation:

We recommend that the deposit be prepared by an employee who does not perform cashiering duties.

Management Response:

Utmost effort is made to separate closing cashiers from the opening responsibilities or preparing deposits. However, due to limited staffing resources and scheduling conflicts this is not always feasible. Preparing deposits is primarily the responsibility of the Library Circulation Supervisor and Assistant Supervisor. The library believes that sufficient compensating controls are in place to mitigate any risks to public funds.

Finding # 2 - Individual accountability was not established for funds entrusted to each cashier.

Risk Level: Moderate

Recommendation

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

Management Response:

The library staff is cross-trained in different areas of library operations to better utilize their time and to provide better customer service. It would not be cost-effective for the library to assign a dedicated cashier to each cash register due to low volume and low monetary value of transactions. The Library Management will look into the practicability of implementing a mid-day cash count which would help in establishing cashier accountability.

Finding # 3- The cash drawer can be opened without an electronic record of the transaction.

Risk Level: Moderate

Recommendation

We recommend that transactions conducted in the point-of-sale system result in an accurate receipting, recording, and accounting of public money.

Management Response:

The library's Point of Sale software has a built in feature that allows for the cash drawer to be opened without a transactions record. The library staff has been instructed to stop using this feature. The software company has been notified and a fix is expected in a future software release.

Finding # 4- 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 Whitmore Library keep a copy of the SAQ on file to show they are aware of and compliant with PCI-DSS requirements.

Management Response:

As of August 1, 2014 Salt Lake County Library is Level C compliance and copy of the SAQ is maintained at the Library Administrative Office and readily available for staff. An attestation of Compliance, SAQ C is attached.

Finding # 5 - Internal controls over payments received through the mail were not adequate.

Risk Level: Low

Recommendation:

We recommend that the duties of posting and receiving payments be separated, or that compensating controls be adopted.

Management Response:

We will instruct staff that mail should be opened in the presence of two persons and to include proof of credit to patron's account. The Library Management will be looking into the possibility of no longer accept checks.

Finding # 6 - 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:

As a result of recommendations from previous audits, Salt Lake County Library started a pilot project requiring locations to be responsible for making their own bank deposit on a daily basis. As of May 15, 2014 the practice was implemented system-wide and all deposits are

made within 3 days of receiving funds.

Finding # 7 – The amount of the change fund on hand did not match the amount of record.

Risk Level: Low

Recommendation:

We recommend that the change fund be maintained at its authorized amount or that the change fund balance be adjusted with Mayor's Financial Administration.

Management Response:

The Millcreek Community Center Library copier was transferred to Whitmore Library during its construction. The Whitmore change fund was increased to reflect the addition of MCC copier change fund. After the construction, the copier was moved back to MCC along with its change fund. However, the Whitmore change fund was not decreased to account for this change. A request has been submitted to the Mayor's Finance to adjust Whitmore change fund balance.



Attestation of Compliance, SAQ C

Instructions for Submission

The merchant must complete this Attestation of Compliance as a declaration of the merchant's compliance status with the *Payment Card Industry Data Security Standard (PCI DSS) Requirements and Security Assessment Procedures*. Complete all applicable sections and refer to the submission instructions at PCI DSS Compliance – Completion Steps in this document.

Part 1. Merchant and Qualified Security Assessor Information

Part 1a. Merchant Organization Information

Company Name:	Salt Lake County Library Systems	DBA(S):			
Contact Name:	Colleen Medling	Title:	Automated Systems Manager		
Telephone:	801-944-7541	E-mail:	cmedling@slcolibrary.org		
Business Address:	8030 S 1825 W	City:	Salt Lake City		
State/Province:	UT	Country:	US	ZIP:	84088
URL:					

Part 1b. Qualified Security Assessor Company Information (if applicable)

Company Name:					
Lead QSA Contact Name:		Title:			
Telephone:		E-mail:			
Business Address:		City:			
State/Province:		Country:		ZIP:	
URL:					

Part 2. Type of merchant business (check all that apply):

- Retailer
 Telecommunication
 Grocery and Supermarkets
 Petroleum
 E-Commerce
 Mail/Telephone-Order
 Others (please specify): Government Agency – library

List facilities and locations included in PCI DSS review: Viridian Event Center, West Jordan Library

Part 2a. Relationships

Does your company have a relationship with one or more third-party agents (for example, gateways, web-hosting companies, airline booking agents, loyalty program agents, etc.)? Yes No

Does your company have a relationship with more than one acquirer? Yes No

Part 2b. Transaction Processing

How and in what capacity does your business store, process and/or transmit cardholder data? The Salt Lake County Library System in Salt Lake City, UT accepts VISA and Mastercard for payments of fees and fines associated with library usage. We accept credit cards online and in-house using third party software provided by Comprise Solutions.

Please provide the following information regarding the Payment Applications your organization uses:

Payment Application in Use	Version Number	Last Validated according to PABP/PA-DSS
SmartMoney Manager	1.5.9.3	

Part 2c. Eligibility to Complete SAQ C

Merchant certifies eligibility to complete this shortened version of the Self-Assessment Questionnaire because:

- Merchant has a payment application system and an Internet or public network connection on the same device and/or same local area network (LAN);
- The payment application system/Internet device is not connected to any other system within the merchant environment;
- Merchant store is not connected to other store locations, and any LAN is for a single store only;
- Merchant does not store cardholder data in electronic format;
- If Merchant does store cardholder data, such data is only in paper reports or copies of paper receipts and is not received electronically; and
- Merchant's payment application software vendor uses secure techniques to provide remote support to merchant's payment application system.

Part 3. PCI DSS Validation

Based on the results noted in the SAQ C dated 8/1/2014, Salt Lake County Library Systems asserts the following compliance status (check one):

- Compliant:** All sections of the PCI SAQ are complete, and all questions answered "yes," resulting in an overall **COMPLIANT** rating, and a passing scan has been completed by a PCI SSC Approved Scanning Vendor (ASV), thereby Salt Lake County Library Systems has demonstrated full compliance with the PCI DSS.
- Non-Compliant:** Not all sections of the PCI SAQ are complete, or some questions are answered "no," resulting in an overall **NON-COMPLIANT** rating, or a passing scan has not been completed by a PCI SSC Approved Scanning Vendor (ASV), thereby Salt Lake County Library Systems has not demonstrated full compliance with the PCI DSS.

Target Date for Compliance: (TargetComplianceDate)

An entity submitting this form with a status of Non-Compliant may be required to complete the Action Plan in Part 4 of this document. Check with your acquirer or the payment brand(s) before completing Part 4, since not all payment brands require this section.

Part 3a. Confirmation of Compliant Status

Merchant confirms:

- PCI DSS Self-Assessment Questionnaire C, Version 2.0, was completed according to the instructions therein.
- All information within the above-referenced SAQ and in this attestation fairly represents the results of my assessment in all material respects.
- I have confirmed with my payment application vendor that my payment system does not store sensitive authentication data after authorization.
- I have read the PCI DSS and I recognize that I must maintain full PCI DSS compliance at all times.
- No evidence of magnetic stripe (i.e., track) data², CAV2, CVC2, CID, or CVV2 data³, or PIN data⁴ storage after transaction authorization was found on ANY systems reviewed during this assessment.

Part 3b. Merchant Acknowledgement

	8-05-2014
Signature of Merchant Executive Officer ↑	Date ↑
JAMES D. COOPER	DIRECTOR
Merchant Executive Officer Name ↑	Title ↑
SALT LAKE COUNTY Library Services	
Merchant Company Represented ↑	

² Data encoded in the magnetic stripe or equivalent data on a chip used for authorization during a card-present transaction. Entities may not retain full magnetic-stripe data after transaction authorization. The only elements of track data that may be retained are account number, expiration date, and name.

³ The three- or four-digit value printed on or to the right of the signature panel or on the face of a payment card used to verify card-not-present transactions.

⁴ Personal Identification Number entered by cardholder during a card-present transaction, and/or encrypted PIN block present within the transaction message.