



**A Report to the Citizens
of Salt Lake County and the
Board of County Commissioners**

August 1998

A Limited Scope Audit of the

**Salt Lake County
Library System**

Craig B. Sorensen

County Auditor

A LIMITED SCOPE AUDIT

of the

SALT LAKE COUNTY
LIBRARY SYSTEM

1998

CRAIG B. SORENSEN

Salt Lake County Auditor

Audit performed by:

Larry Decker, CPA

Doug Fujino

Amy McCormick, CPA

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A Limited Scope Audit of the Salt Lake County Library System

I. Executive Summary

Background

The Auditor's Office completed an audit of cash, receivables and fixed and controlled assets within the Salt Lake County Library System. We examined these areas as a follow-up to our previous Library audit report dated December, 1995. Our purpose was to determine the Library's current status when compared with our findings at that time.

In our current audit work we examined cash receipting and depositing procedures. We balanced cash drawers at selected Library branches and found no significant outages. We also examined a sample of daily collections and deposits from all 16 Library branches that collect money. We balanced Library petty cash and imprest checking funds.

We reviewed Library cash handling procedures for compliance with Countywide Policy on the Management of Public Funds (MPF) #1062. We particularly focused on section 2.10.1 that states, "All...cashiers...will have their own cash drawers unless deemed impossible or unnecessary..." The Library does not agree that only one employee should work out of a cash drawer; they have proposed an exception to the policy that is currently before the County Treasurer.

We examined procedures for collecting fines and fees on overdue and lost or damaged books and materials. An extensive examination of this area was not possible due to the inaccessibility of records relating to outstanding fines and fees and the lack of a receivables summary report.

We noted that the Library implemented a fine waiver policy since our last audit and that one of the branches had partially implemented the one-cashier-per-cash-drawer policy in an effort to increase accountability for the receipt of fine and fee payments. These commendable improvements demonstrate Library management's concern for effective operational procedures. The findings and recommendations that follow are designed to further help management in safeguarding Library assets.

The Library has made commendable improvements in its operations since our last audit.

Findings and Recommendations

The following are primary findings and recommendations within our report.

- *Fine and fee waiver forms are not always completed properly by Library personnel.*
- *The current collection process is not timely.*
- *We could not locate nearly 10 percent of fixed assets and 12 percent of electronic items (controlled assets) from our sample.*
- *The Library could enhance the security of funds by assigning one cashier per cash drawer.*

Fine and fee waiver forms are not always completed properly by Library personnel. Neither the Library supervisor nor the Library patron whose fees are being waived sign the waiver form in all cases as Library policy requires. Without these controls it is possible that employees could divert funds received to personal use.

The collection process is not timely for accounts referred to the Library’s collection coordinator. The Library takes an average of 195 days after the initial fine or fee is incurred to send the first collection letter to the patron whose account is delinquent. Current Library policy is that this letter be sent out within 90 days.

We could not locate nearly 10 percent of fixed assets and 12 percent of electronic items (controlled assets) from our sample. In addition, the library is not performing annual fixed and controlled asset inventories. The Library should implement a system of tagging all controlled assets and, in accordance with Countywide Policy #1125, “...conduct [a] physical inventory of fixed ...and controlled assets...at least annually.”

The Library assigns more than one cashier per cash drawer. The Library wants the flexibility of allowing any given cashier to receive money from patrons. For the Library to comply with MPF #1062, while at the same time maintaining this flexibility, they need cash registers that will allow each cashier to enter a unique employee identifier code prior to each transaction, a task that cash registers currently in use cannot perform. The Library also needs to install multiple cash drawers, one for each cashier. With several employees working out of the same cash drawer, shortages and overages cannot be assigned to any one employee. While one of the 16 branches has made an effort to comply with the policy, the Library’s continuing concerns in this area merit comment in this report.

Fixed and controlled asset tracking is weak.

Accountability for cash overages and shortages cannot be assigned to any single employee.

II. Introduction

The Salt Lake County Library System's collection comprises books, tapes, CDS, periodicals and other resource materials for public use in 17 different branch libraries. All branches except one, the Alta Reading Room, collect money from patrons for fines or fees on overdue or lost or damaged materials.

In addition, most branches collect money from patrons for use of copy machines and typewriters on Library premises. Copy machines and typewriters are self-pay. Other revenue sources include surplus sales, donations and newspaper recycling.

The Library system deposits over \$1 million annually in revenue from fines and fees and about \$140,000 annually mainly from copy machines but also from typewriter usage. Daily collections from fines and fees can exceed \$1,000 per day at larger branches, like Sandy, but at smaller branches like South Salt Lake or Draper collections might not reach \$20.

The Library assesses fines of 15 cents a day on overdue books and \$1.00 a day on books on tape, videos and CD-ROMs. The Library computer system advises patrons of overdue materials using an automated voice phone call. The automated voice attempts up to four phone calls in one day per patron. If no one answers after four calls or if the computer determines that the correct party has not been reached, based on data provided by the person answering the phone, an overdue notice is mailed to the patron three weeks later.

The Library usually advises patrons only once of overdue materials. However, the Library does send a once-a-year mailer, in June, to all patrons who have outstanding fines or fees at that point in time.

III. Scope and Objectives

The scope of this audit included a review of cash collections and deposits, fines and fees receivable, and fixed and controlled assets. In these areas we examined items or transactions most of which we selected from calendar year 1997. Audit objectives were as follows:

- C To evaluate the adequacy of internal controls over cash and to determine, on a test basis, if cash collected was appropriately deposited.
- C To determine whether the process for collecting fines and fees on overdue, lost, or damaged materials is adequate and whether the waiver of fines and fees is in accordance with the current library policy.

The Library collects over \$1.1 million annually.

- c To determine whether fixed and controlled assets listed in the Local Government Financial System (LGFS) 0801 Report and other reports actually exist.
- c To determine if the Library System is complying with key elements of Countywide Policy 1125, Safeguarding Property/Assets.

IV. Findings and Recommendations

Our findings and recommendations are divided into three sections: receivables, fixed and controlled assets, and cash.

1.0 Receivables

Library receivables consist of fines and fees incurred by patrons for overdue, lost and damaged items. Since the last audit of the Library System, released in December 1995, Library management has developed a Fines and Fees Policy which was effective beginning January 1, 1997. The purpose of the policy is to ensure that internal controls over fees and fines are in place to safeguard public funds. Fines and fees also encourage the patron to return the materials that they check out from the Library System.

In some instances, fines and fees are waived for reasons enumerated in the policy. Currently, a form is completed by Library personnel for each waiver. Certain sections of the waiver form act as internal controls for the waiving of fines and fees. These sections include: the reason for the waiver, the clerk authorization, supervisor signature, and customer signature. Once the waiver form is completed, the Library clerk enters information specified by the Fines and Fees Policy into the Dynix System in the customer's record. We examined a sample of waiver forms to determine if Library personnel are following the Fines and Fees Policy.

In addition, we reviewed the collection process to evaluate its adequacy. Although the Library System does not have an official collection policy, the collections coordinator and fiscal manager outlined the procedures they use to collect overdue accounts. Currently, an account does not go to the collection coordinator until it reaches \$50. Once the account reaches \$50 the collection coordinator starts sending collection letters to the patron. If the patron does not respond to the letters, the account is sent to the Salt Lake County Attorney's Office for collection.

We found that:

- C Fine and fee waiver forms are not always completed properly by Library personnel.
- C The current collection process does not produce timely collections.
- C Separation of duties is necessary in the collection process between the receiving of funds and recording the payment of funds into the Dynix System.

1.1 Fine and fee waiver forms are not always completed properly by Library personnel.

We examined a sample of 791 waiver forms that were dated in 1997. A summary of the results of the examination is shown in Appendix A. The three sampled items we found at the South Salt Lake branch were insufficient to draw relative conclusions; therefore, South Salt Lake is not shown in our graphs.

As shown in Figure 1, some Library branches are not complying with the requirement for the supervisor signature. According to the policy, waived

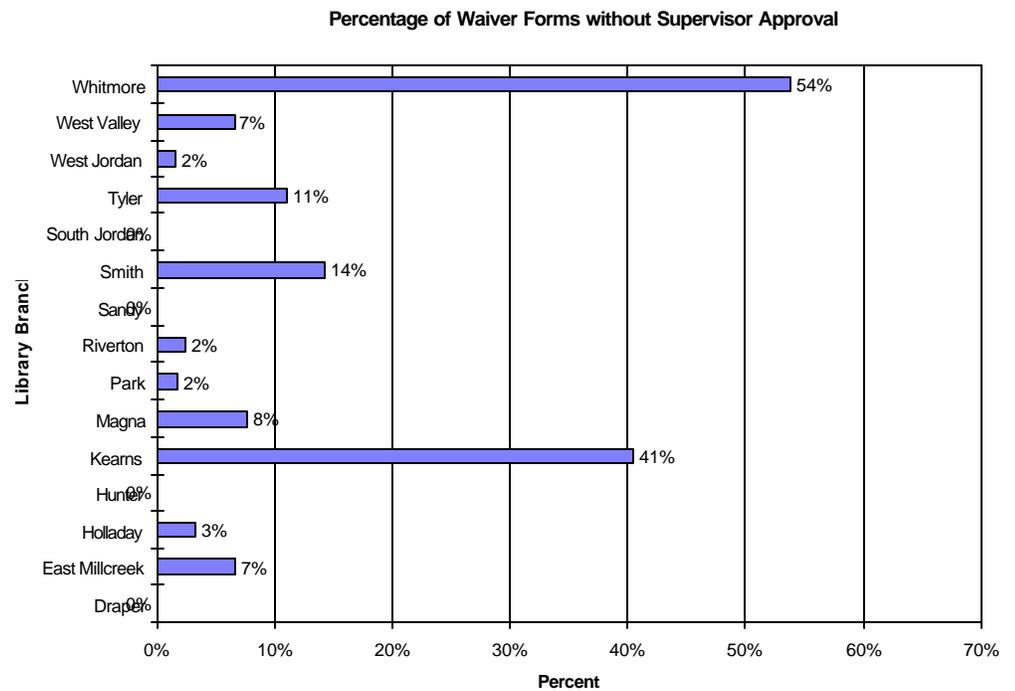


Figure 1. Library branches are not getting supervisor's signatures.

Supervisors are not signing fine waiver forms in about half the cases at the Whitmore and Kearns branches.

finer or fees under \$10.00 can be approved by the supervisor after the transaction takes place. Fines or fees that are over \$10.00 must be approved by an on-site supervisor before the waiver is granted. Kearns, Smith, Tyler, and Whitmore branches all had a noncompliance rate greater than 10 percent.

Some Library branches are not indicating whether the customer was present to sign the waiver form if the customer signature line was left blank. On occasion, waivers are completed through the mail or over the phone. Fines or fees are also waived to correct errors discovered by Library staff. In these instances, the customer is not present to sign the waiver form.

As shown in Figure 2, a majority of the Library branches are not indicating how the transaction occurred if the customer signature line is left blank. To solve this problem, the Library clerk could indicate “phone” or “mail” on the customer signature line to indicate the customer was not present to sign the waiver form.

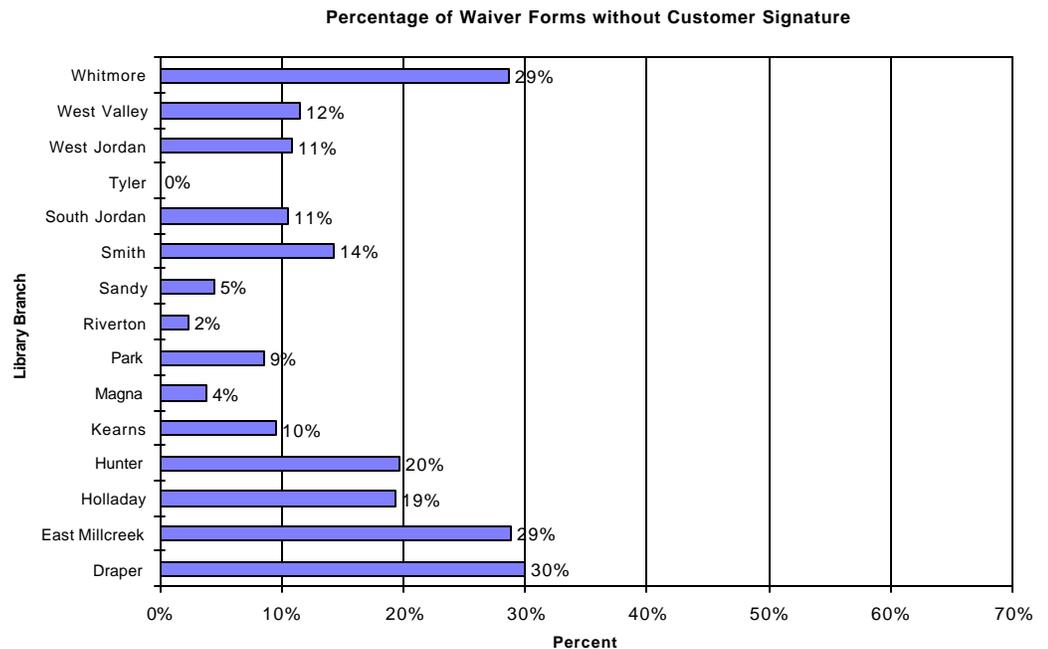


Figure 2. There is no explanation when the customer does not sign.

The supervisor approval and customer signature are two key internal controls for the waiver process. Without these controls, it is possible for an employee to accept payment for a fee or fine from a patron and later waive the fee (or fine) in the Dynix System. Payments received under these circumstances could easily be diverted to personal use.

Management needs to review the Fine and Fee

All Library clerks and supervisors have been trained on the Fine and Fee Waiver Policy. At times, some personnel might forget the requirements of the

***Waiver Policy with
Library staff members.***

***The first collection letter
takes an average of 195
days to get out after the
fine or fee is incurred, but
it should be 90 days.***

policy. To solve this problem, Library management could provide a refresher course about the policy for all Library personnel involved in the fine and fee waiver process. Also, in discussing the results of our analysis with Library management, they suggested that the fiscal manager examine a sample of waiver forms as they are returned to the fiscal department. If a pattern of nonconformity occurs again, the fiscal manager could identify the problem quickly and ensure supervisors are informed so action can be taken.

1.2 The collection process is not timely for accounts referred to the Library’s collection coordinator.

The current collection process is not timely according to the requirements of the fiscal manager’s timeline and the written explanation of collection procedures. For example, the first collection letter should be sent to the patron when the fine or fee is 90 days overdue. After analyzing 25 accounts, we found that the average time it takes to get the first letter out is 195 days after the initial fine or fee is incurred. On average, it takes over one year to refer an account to the Salt Lake County Attorney’s Office if collection has not been successful at the Library level. According to the collection timeline, an uncollectible account should be sent to the County Attorney no later than 150 days after the fine or fee is incurred.

We also found that it takes an average of 105 days to get an account to the Attorney after it has been determined that the Library does not have the correct address for the patron. Management should explore options to reduce the time it is taking for an account to be referred to the Attorney’s Office. The likelihood of collection is reduced the longer it takes an account to get to the Attorney’s Office.

Management is currently considering automation of the collection process. They are evaluating software that will integrate with the Dynix system. The software would be able to age the fine and fee receivables. In addition, the software would automate the production of first and second letters sent to the patrons. This automation would reduce the work load of the collection coordinator and allow her to focus on getting accounts sent to the County Attorney as necessary.

If automation is not feasible, management should consider outsourcing collections.

1.3 The collection coordinator should not be responsible for both collecting funds and recording payment.

Currently, the collection coordinator receives checks from the County Attorney’s office and then records the payment information into the patron’s account on the Dynix System. Such a procedure makes it possible to

manipulate the system. Management could improve internal controls over this process by separating the cash collection and payment recording functions.

1.4 Action Taken:

The fiscal manager has arranged for the Attorney's Office to transfer its Library funds to the Library's account using a journal voucher. Therefore, the Attorney's Office will no longer send checks and cash collected to the collections coordinator but will instead deposit these collections themselves.

1.5 Recommendations:

We recommend that:

1.5.1 Additional training should be provided on the Fines and Fees Waiver Policy to Library clerks and supervisors. The training should emphasize the importance of the supervisor approval and customer signature when appropriate.

1.5.2 If the patron is not present to sign the waiver form, the clerk should note that the waiver was completed over the phone or through the mail. The duplicate copy of the waiver form should remain attached to the original form when sent to the fiscal section.

1.5.3 The fiscal manager should periodically examine a sample of waiver forms from the branches to ensure that the forms are completed properly.

1.5.4 Management should evaluate the feasibility of outsourcing collections work if automation is not deemed feasible.

1.5.5 First and second letters returned through the mail because of incorrect addresses should be sent to the County Attorney's office promptly.

2.0 Fixed and Controlled Assets.

To determine if management is adequately safeguarding fixed and controlled assets, we evaluated the adequacy of the Library system's internal controls including compliance with Countywide Policy #1125, Safeguarding Property/Assets. A fixed asset is an individual item owned by the County meeting the criteria for capitalization. At the time we began our review of the Library's fixed assets, the capitalization threshold was \$700. However, during the audit, the capitalization threshold was increased to \$3,000.

Controlled assets are items which can easily be converted to personal use which cost at least \$100 but less than the current capitalization threshold. Examples of controlled assets include personal communication equipment and power tools.

Our findings are:

- c We could not locate nearly 10 percent of fixed assets and 12 percent of electronic items (controlled assets) from our sample.**
- c The Library does not keep an accurate record of its controlled assets.**

2.1 We could not locate nearly 10 percent of fixed assets and 12 percent of electronic items (controlled assets) from our sample.

The last fixed and controlled asset inventory was completed in 1995. According to Salt Lake County Countywide Policies & Procedures #1125: Safeguarding Property/Assets, “*property and equipment ... must be properly managed (i.e. controlled, inventoried and protected.)*” Specifically, section 2.2.11 of the policy dictates that, “*At least annually, conduct physical inventory of fixed assets and controlled assets, to ensure complete accountability for all property owned by, or assigned to the organization.*”

Annual inventories of fixed and controlled assets were not conducted by the Library staff because it is considered a lower priority item. The Library’s senior management feels their resources could be better spent in other areas. However, our audit along with the change in the capitalization threshold has persuaded the Library’s administration to reconsider their management of fixed and controlled assets.

During our examination, we selected a statistical sample of the Library’s fixed assets from the LGFS 0801 report which had 562 items listed as of December 23, 1997. We could not locate 9.8 percent of the Library’s fixed assets we sampled. Although, some of the missing items are obsolete and could have been surplus, the results indicate that either the LGFS fixed assets records are not being updated or assets have been lost. For example, if the 9.8 percent was extrapolated to the entire inventory at the time of the audit, that would mean 55 fixed assets might not be found in the Library system.

During 1993, a comprehensive “clean-up” inventory of the Library’s fixed assets was conducted by staff in the Accounting & Operations Division of the Auditor’s Office. At that time, assets that could not be located were identified and a request to write off these assets was submitted to the Board of County Commissioners. The request was subsequently approved and after the write

We could not find 9.8 percent of sampled library fixed assets.

off, Library management acknowledged that the updated inventory of fixed assets was complete and accurate.

However, in reviewing the results of our 1995 audit and this audit, we noted a trend of progressive degradation in accountability over fixed assets. In 1995, we could not locate 3.7 percent of the Library's fixed assets and three years later the percentage of missing assets had increased to 9.8 percent (see Figure 3 on page 10).

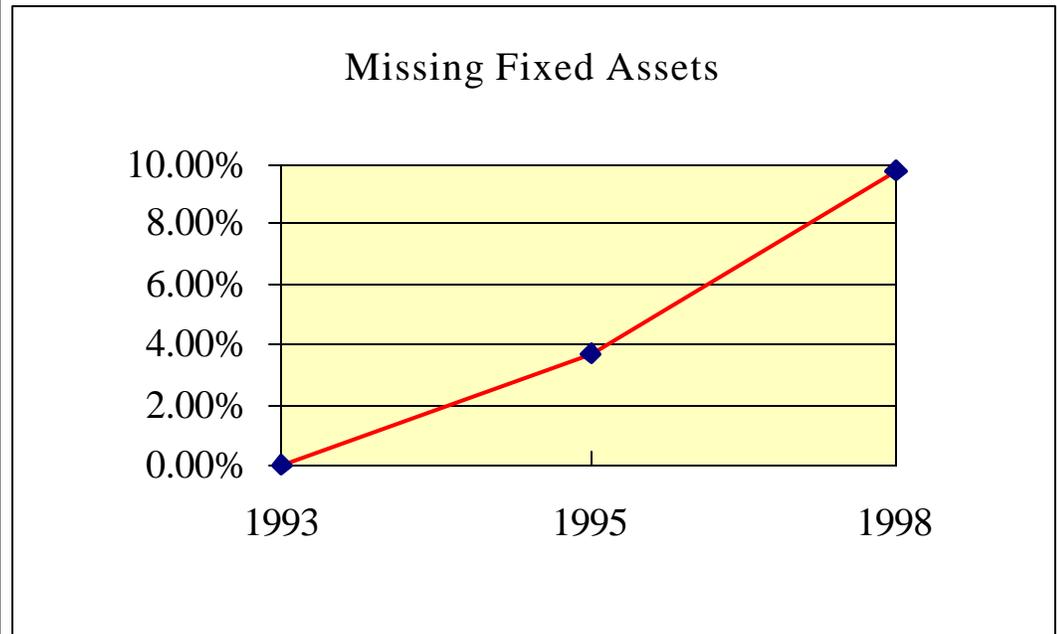


Figure 3. Missing fixed assets have increased since 1993.

We could not find 11.8 percent of sampled electronic items from the Library's records.

We also selected two samples of controlled assets: electronic items and non-electronic items. The library system has a list of 1198 items in its inventory of computer and audio/video equipment. From the itemized electronic list, supplied by the library's information systems area, we selected a statistical sample and found only 88.2 percent of the items physically present in the library system. Missing assets included a computer, two monitors, three terminals and three printers.

Missing assets represent 11.8 percent of our sample. If this percentage was applied to the entire electronic inventory that would mean 142 controlled assets might not be found in the library system. This clearly indicates the need for the library system to conduct annual inventories and update their inventory lists as assets are purchased and surplused.

As for the non-electronic items, we sampled 61 assets and found 60 of them. The only one we did not locate was a Polaroid camera.

2.2 The Library does not keep an accurate record of its controlled assets.

During our review of controlled assets, we found:

- o nine controlled assets that were not included in the Library’s controlled asset records.
- o the controlled asset lists included items that were not controlled assets.
- o the Library staff was not certain what items were controlled assets.

Controlled assets not listed in the controlled asset records include a VCR, two televisions, three printers, a scanner, and two terminals. We spoke with the network and information systems coordinator who is responsible for maintaining controlled asset records for electronic equipment and he did not provide an adequate explanation as to why these assets were not included.

By not maintaining proper control over their controlled asset list, the Library is at risk of losing some of their equipment. This point is even more significant since the capitalization threshold for fixed assets has been recently increased to \$3,000. Controlled assets by their very nature can easily be removed from the Library system. Moreover, if some items were stolen, regardless of whether they were fixed or controlled assets, it would be difficult to determine exactly which ones were missing.

To more effectively manage controlled assets, we would suggest two changes in procedures. First, at least once a year, senior Library management should lead a brief discussion with Library branch managers and other staff on controlled assets. The purpose of the discussions would be to increase awareness, educate new employees and create a better understanding among Library personnel.

The second recommended change in the Library system is the implementation of an internal controlled asset numbering and tagging system. An inventory list of controlled assets already exists through the Library systems’ computer department. By adding one column to this inventory list each asset would be assigned its own number. The numbering system could be as simple as starting at 1 and going to infinity or it could be as complex as using bar codes. In either case, every asset would be tagged with a “controlled asset label.”

Furthermore, we suggest that management review current receiving procedures for asset purchases to ascertain why some items are not listed on the inventory records prior to being placed in service.

The Library needs a numbering and tagging system for its controlled assets.

2.3 Recommendations:

We recommend that:

2.3.1 *The Library system follow Policy #1125, section 2.2.11 and conduct an inventory of their fixed and controlled assets on an annual basis.*

2.3.2 *The Library system develop a controlled asset numbering system while conducting a complete inventory of their assets.*

2.3.3 *Training sessions for Library managers be conducted on a regular basis.*

2.3.4 *Management review receiving practices for controlled assets and, if necessary, take appropriate corrective action to insure that these assets are recorded in the controlled asset records prior to being placed in service.*

3.0 Cash

The Library uses 25 cash registers in its 16 branches that collect cash. The Sandy and Hunter branches have four cash registers each; Whitmore, South Jordan and West Jordan each have two; all other branches have one. Daily collections in cash registers system wide average \$3,000 to \$5,000 per day and additional collections in copy machines, typewriters and microfilm readers average another \$200 to \$600 per day.

We found that:

- !** **The Library could streamline the bank deposit process by eliminating duplicated procedures.**
- !** **The Library could enhance the security of funds by assigning one cashier per cash drawer.**
- !** **The Library checking account does not balance to its authorized limit.**

3.1 The Library could streamline the bank deposit process by eliminating duplicated procedures.

The Library administration office prepares bank deposits for all 16 branches that collect money. Designating administration to prepare the deposit creates a significant duplication of effort.

Monies collected at Library branches take at least three days to get to the bank because of duplicated procedures.

Currently, each Library branch counts its daily collections and sends them together with cash register tapes and hand-written totals on a remittance form to the administration office. Administration then recounts each branch's collections and prepares the deposit.

We found that cash collected each day is not deposited until three days later. For example, money that branches collect on Monday is not deposited until Thursday. Aside from the potential risk of loss from keeping funds on the premises for a number of days, this practice is not in compliance with the Management of Public Funds Policy which requires that collections in excess of \$50 in cash or \$200 in checks be deposited daily.

Each branch already balances its cash registers, comparing cash counts to cash register tape totals. Preparing a deposit slip would be a natural extension of the balancing process that each branch already goes through. The branch could then deliver its own deposit to the bank, or, alternatively, could have a courier or a bonded Library employee retrieve the deposit for delivery to the bank. Doing so would eliminate the cost of assigning an employee at the administration office to recount the money and prepare the deposit.

3.2 The Library could enhance the security of funds by assigning one cashier per cash drawer.

The Countywide Policy on the Management of Public Funds (MPF) #1062, section 2.10.1, states, "*All...cashiers will have their own cash drawers unless deemed impossible or unnecessary by the Agency in consultation with the Fund Management Committee.*"

More than one staff member works out of a cash drawer at any given time such that responsibility for cash outages cannot be isolated to any single Library employee. The Library submitted to the County Treasurer a request for an exception to Policy 1062 that would allow for more than one employee per cash drawer. The Treasurer has not yet submitted this request to the Funds Management Committee.

The Library wants the flexibility of having any given employee receive money from patrons. To allow for this capability and still be in compliance with MPF #1062, the Library needs multiple cash drawers at each station and a cash register system that produces a total for each cashier who enters transactions into the cash register. Library cash registers currently do not have this capability.

Cash registers do not allow employees to enter a unique identifier code prior to each transaction that would isolate the transaction to a particular employee. We investigated cash registers that would allow for such a capability, thus enabling the cash register to generate a collections total for each cashier who

The Library could eliminate cash registers and integrate its cashiering function with on-line circulation and cataloging systems.

used the machine. One model we found had a retail price of \$565 and allowed for as many as seven employee codes. The Library would therefore spend about \$14,000 if it replaced all 25 of its cash registers with this model.

A more sophisticated model that links cash registers on-line within a particular branch, and also within the entire Library system, costs \$1,550 per unit, or about \$39,000 to replace all 25 cash registers. This model allows for up to 99 employee codes and could electronically send all cash collection information from all branches to the Library administration office, creating greater data reliability than do current hand-written reports, and eliminating the need to send cash register tapes to the administration office.

As a third option, the Library could eliminate cash registers altogether by integrating the cash collection system with the already-existing on-line circulation and cataloging system. The current on-line circulation system tracks fines for individual patrons but does not have full cashiering and accounting capabilities. The company that markets the Library's current software is working on an integrated cash management unit, but none is available now.

We contacted several Library software vendors and asked them whether their software had the capability of integrating cashiering with circulation. One of the vendors affirmed such a capability.

Other vendors we contacted could not offer integrated cashiering and circulation systems, but some of these vendors liked the concept and stated that they would mention it to their programmers. An integrated system would eliminate the need to reconcile any differences in collection totals that could arise between separate circulation and cashiering systems.

3.3 The Library imprest checking account does not balance to its authorized limit.

The imprest checking account is out of balance and is not being reconciled.

The Library fiscal department uses the imprest account for patron refunds and small purchases. We found that cash available to disburse plus the supporting vouchers for money already disbursed does not equal \$1,350.00 as recorded in the Auditor's Office for the fund limit.

The fund custodian does not keep a running daily balance for the imprest account. In addition, a monthly reconciliation is not performed by the fund custodian. The last reconciliation was done in October 1997. The probable cause of the differences between the Library's book amount and the imprest fund limit is due to bookkeeping errors. For example, on two instances the Auditor's Office reimbursed the Library fiscal department's petty cash fund and imprest fund on one warrant. The fiscal department deposited the warrant into the imprest account. This caused an overage in the imprest account until a check from the imprest account was issued to cash to reimburse the petty cash

account. When the check was issued to cash, the fund custodian did not include the check on the check register. Therefore, the imprest account was not reduced by the amount of the check issued to reimburse the petty cash account.

3.4 Recommendations:

We recommend that:

3.4.1 Each branch prepare and make its own bank deposit.

3.4.2 Only one cashier work out of a cash drawer at any given point in time in accordance with MPF #1062.

3.4.3 The Library replace its cash registers to reflect advanced technology such that a collections total can be produced for each cashier and the cashiering and cataloging systems can be integrated.

3.4.4 The fund custodian should keep a running daily balance for the imprest account. A monthly reconciliation should also be performed. The fund custodian should ensure that the imprest fund balance does not exceed the imprest fund limit.

Problems in Completing the Fine and Fee Waiver Form

Library Branch	Total Sample per Branch	% of population in which a clerk did not authorize the waiver	% of population in which a supervisor did not approve the waiver	% of population in which the Reason # is not indicated on the waiver	% of population in which no customer signature and no indication of customer presence is on waiver
Draper	10	0%	0%	0%	30%
East Millcreek	45	0%	7%	0%	29%
Holladay	31	0%	3%	0%	19%
Hunter	46	0%	0%	0%	20%
Kearns	42	2%	41%	7%	10%
Magna	26	0%	8%	0%	4%
Park	58	3%	2%	16%	9%
Riverton	41	0%	2%	2%	2%
Sandy	176	0%	0%	1%	5%
Smith	21	0%	14%	0%	14%
South Jordan	47	0%	0%	2%	11%
South Salt Lake	Insufficient Data				
Tyler	18	6%	11%	0%	0%
West Jordan	64	0%	2%	0%	11%
West Valley	61	0%	7%	3%	12%
Whitmore	91	1%	54%	3%	29%
Fiscal/Collections	10	0%	0%	0%	100%
Totals*	790				

*One waiver did not indicate the Library Branch



SALT LAKE COUNTY LIBRARY SYSTEM

2197 Fort Union Blvd. Salt Lake City, Utah 84121-3188 (801) 943-4636

July 31, 1998

Craig Sorensen
Salt Lake County Auditor
2001 South State Street
Salt Lake City, Utah 84190

Dear Craig:

Thank you for giving us the opportunity to review the draft of the Limited Scope Audit of the Library System. I have attached our comments, which are limited to the recommendations, to this letter. Please let me know if you need additional information or if you would prefer that our comments were in a different format.

We appreciate your efforts to support and improve the operations of the County Library System. The staff that worked on this project were very professional and pleasant to work with. We will be considering many of their recommendations in the upcoming months.

Thank you for your support of the County Library.

Sincerely,

A handwritten signature in cursive script, reading 'Eileen B. Longworth'.

Eileen B. Longworth
Director

CC: Lance Brown
Kerry Steadman
Mike Stoker

APPENDIX B, Page 1 of 5

Salt Lake County Library System

Limited Scope Audit June 1998

Library Response July 31, 1998

This response is limited to the recommendations made in the limited scope audit.

1.0 Receivables

Recommendations

1.5.1 *Additional training should be provided on the fines and Fee Waiver Policy to library clerks and supervisors. The training should emphasize the importance of the supervisor approval and customer signature when appropriate.*

Library response: Staff receive regular training updates in this policy. We expect to make some revisions in the policy later this year and will be retraining staff in all aspects of this area at that time.

1.5.2 *If the patron is not present to sign the waiver form, the clerk should note that the waiver was completed over the phone or through the mail. The duplicate copy should remain attached to the original form when sent to the fiscal section.*

Library response: As the policy is revised, the form will be updated to make it clear whether the customer was present.

1.5.3 *The fiscal manager should periodically examine a sample of waiver forms to ensure that the forms are completed properly.*

Library response: This will be instituted during 1998.

1.5.4 *Management should evaluate the feasibility of outsourcing collections work if automation is not deemed feasible.*

Library response: Management is instituting a comprehensive review of all collections activity. The Library Board has asked for management to make a recommendation for changes in existing

processes in the fall of 1998. Outsourcing and additional automation will be considered as part of this review.

1.5.5 First and second letters returned through the mail because of incorrect addresses should be sent to the County Attorney's office promptly.

Library response: As Management completes the review of all collection processes, this matter will be considered.

2.0 Fixed and Controlled Assets

Recommendations

2.3.1 The Library System follow Policy #1125, section 2.2.11 and conduct an inventory of fixed and controlled asset on an annual basis.

Library response: The change in the value of fixed assets has reduced the burden of an annual inventory and made this a more realistic possibility. Management will make a reasonable attempt to comply with this policy on fixed assets. With the reduction in fixed assets, the number of controlled assets has greatly increased. In addition, the library's increased electronic services have also resulted in a tremendous increase in electronic controlled assets. Library management believes that staff do a relatively good, not perfect job of maintaining records of controlled assets. After the initial audit sample was completed, library staff located almost all of the items not found in the initial search. It is the nature of these assets that they are not easily tracked among 18 libraries. In addition, library staff take computers apart and rebuild them, often using the parts of two older computers to make one functioning computer. We will continue to work to improve our records of controlled assets. Given increased workloads, and increased reliance on technology and more controlled assets, an annual inventory may not be realistic at this time. We will attempt to complete an inventory every other year.

2.3.2 The Library develop a controlled asset numbering system while conducting a complete inventory of their assets.

Library response: We will consider this approach at the next time a complete inventory of controlled assets is performed.

2.3.3 Training sessions for Library managers be conducted on a regular basis.

Library response: Library managers already receive regular training in a wide variety of subject. They will continue to receive training in tracking fixed and controlled assets on a regular basis.

2.3.4 Management [should] review receiving practices for controlled assets and, if necessary, take appropriate corrective action to insure that these assets are recorded in the controlled assets records prior to being placed in service.

Library response: Management will review these practices in 1998.

3.0 Cash

Recommendations

3.4.1 *Each branch prepare and make its own bank deposit.*

Library response: Library management does not agree with this recommendation. Current practice is timely and efficient. An armored car service picks up the system deposit each week day at administrative offices. This is safer than requiring clerks to transport public funds in personal vehicles to the bank. It also allows for fewer errors than if over 50 different clerks were preparing deposits. The primary reason that this is not feasible has to do with the mission of libraries, which is public service. We have an increasing workload that has required our staff to be available to help customers. We do not have sufficient staff to send one or two out of the building for an hour each day to go to the bank. This recommendation will not be followed.

3.4.2 *Only one cashier work out of a cash drawer at any given point in time in accordance with MPF#1062.*

Library response: In 1997, the Library formally asked the County Treasurer for an exemption from this part of the policy on management of public funds. Given staffing levels, increased work loads, the average amount of cash collected by individual staff, library mission and the limited equipment owned by the library, this is not feasible and will not be implemented.

3.4.3 *The Library replace its cash registers to reflect advanced technology such that a collections total can be produced for each cashier and the cashiering and cataloging systems can be integrated.*

Library response: In 1998, we purchased five “smart” cash registers. Other cash registers will be replaced as funding is available and as needed. The Library’s 1990 RFP for automated services asked vendors to supply a system that would integrate circulation transactions with cash register functions. No such system was available then or now that will accomplish these tasks and handle the volume of activity that the County Library has each day. We will continue to work with Library Systems vendors to encourage the development of this capability. Once it becomes available, we will consider the cost benefits of purchasing such a system.

3.4.4 *The fund custodian should keep a running daily balance for the imprest account. A*

monthly reconciliation should also be performed. The fund custodian should ensure that the imprest fund balance does not exceed the imprest fund limits.

Library response: The library agrees with this recommendation and has already adopted it.

Auditor's Comments on Library Management's Response

We appreciate management's response to our audit of the Salt Lake County Library System. Management's concise comments directly address each of our recommendations in a professional manner.

Library management is responsible for establishing and maintaining the system of internal controls. Management has stated their intention to implement many, but not all of our recommendations. Declining to implement some of these recommendations will weaken the level of control that could otherwise exist and may unnecessarily risk the integrity of Library funds and assets.

The Library's refusal to assign the bank deposit function to each individual branch, as we recommended, circumvents greater operational efficiency and exposes Library funds to theft. By insisting that administration prepare a single system-wide deposit, the Library unnecessarily double counts its collections, once at the branches and again at administration. An administrative clerk spends about four hours each day recounting money and preparing the deposit.

In addition, the greater the lag time in depositing funds to the bank, the greater the possibility of theft. Requiring branches to transfer their monies to administration creates a deposit lag time of at least three days from when funds were collected. By following our recommendation, funds would be deposited within a day.

The Library's refusal to assign each cashier his or her own cash drawer makes it impossible to assign responsibility for overages and shortages, creating a greater temptation for employees to steal money. In addition, contrary to the Library's statement, cashiering and circulation can be combined into a single system, according to one major Library software vendor we spoke with that services such clients as the Los Angeles Public Library System. Implementing such an integrated system would put Salt Lake County at the cutting edge of Library technology.

Our goal is to help streamline operations and safeguard assets as the Library continues to provide service to the public. We extend to the Library our best wishes for success in carrying out its mission.