



December 31, 2012

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Re: A Limited Scope Audit of Library Administration

Dear Mayor McAdams:

We completed a limited scope audit of the Library Administration. Our scope was limited to verification of the accuracy and completeness of financial records, and compliance with internal controls related to asset controls and management of capital and controlled assets. Our audit included a review of the following areas:

- **Petty Cash and Imprest Checking Accounts**
- **Capital and Controlled Assets**

Our audit objectives were to determine compliance with the guidelines found in Countywide Policy #1062, *Management of Public Funds*, Countywide Policy #1203, *Petty Cash and Other Imprest Funds*, Countywide Policy #1020, *County Meals*, Countywide Policy #1125, *Safeguarding Property/Assets*, and Library System internal policies and procedures.

Our work at the Library Administration was designed to provide reasonable, but not absolute, assurance that the system of internal controls was adequate, records were current, and daily transactions were valid. Our review of transactions was done on a sample basis; therefore, problems may have occurred in items that were not selected for review. However, a statistically significant random sample is designed to provide a degree of assurance that the complete nature of transactions and processes is examined. In addition, findings relating to non-compliance with Countywide Policies may be present in areas not examined. We have limited our comments to significant findings. Management's response to our findings is attached as Appendix A.

We noted several positive control activities in place at the time of our audit, including the following:

- Staff members were professional in fulfilling their duties and were aware of the need for internal controls.
- During our unannounced count of the petty cash fund, the fund balanced to the authorized amount.

- All transactions we reviewed from the petty cash account were approved by a second person and were documented with a petty cash voucher.

Overall, many sound internal control procedures are in place and functioning properly. Nonetheless, we did find some areas where improvements could be made.

PETTY CASH AND IMPREST CHECKING ACCOUNTS

Library Administration has one petty cash fund with an authorized amount of \$750 and two imprest checking accounts, with authorized amounts of \$5,000 and \$1,000. Petty cash funds are established to allow County agencies to purchase small-cost items that are of such a nature that the use of a normal purchase order is not cost effective. Imprest checking accounts are established on a case-by-case basis, where due to the nature of certain operations, it is deemed to be more cost effective to process disbursements by means of such an account, rather than by issuance of individual general warrants.

We performed an unannounced count of the petty cash fund that compared total cash on hand plus total disbursements from petty cash, to arrive at the authorized petty cash amount. We found that the fund was intact and maintained at the authorized amount without exception. We also examined petty cash reimbursements for the period January 2011 to June 2012 and found that purchases were appropriate, accompanied by adequate documentation and approvals, were below the current \$200 authorized limit, and no sales tax had been paid.

Library Administration has two Imprest Checking Accounts. The Administrative Account has an authorized amount of \$5,000 and is used for reimbursements to employees for purchases to obtain library supplies, program supplies, food/meals for events, etc. The Patron Refund Account has an authorized amount of \$1,000 and is used to refund fine amounts to patrons if they return to the Library the items to which the fine applies. During our review of the Imprest Checking Accounts, we noted some procedures that could be improved. We found that:

- *Documentation for some meal reimbursement requests did not clearly state a County purpose.*
- *Refund Request forms did not always contain all of the required signatures.*
- *Bank reconciliations were not performed in a timely manner.*

Documentation for some meal reimbursement requests did not clearly state a County purpose. We reviewed a sample of transactions from the Imprest Checking Account - Administrative Account from January 2012 to August 2012 to determine if purchases were appropriate, accompanied by adequate documentation and approvals, were below the current \$200 authorized limit, and no sales tax had been paid.

In our sample of transactions, there were reimbursement requests with meal reimbursement forms indicating the food purchased was for staff events. However, the

documentation for the purpose of the meeting did not clarify whether the events were for special training or educational events. The employees that completed the documentation have not been instructed on the appropriate information to include on the form.

Countywide Policy #1020, *County Meals*, Section 7.3 states,

County organizations may provide for food and beverages at special training and educational events if the primary purpose of the activity is to enhance the organization's ability to perform their government functions. Included within this exception would be staff meetings or organizational meetings with a training function not occurring more often than once a month.

Countywide Policy #1203, *Petty Cash and Other Imprest Funds*, Sections 10.4.1 states,

Items purchased to reward, compensate, or express sympathy to a County employee, employee's family members, or volunteer shall not be paid for using a Petty Cash or other Imprest Fund.

Countywide Policy #1020, Sections 2.3 and 2.3.2 state,

The primary purpose of the meeting must be to transact County business or to receive or give information that is beneficial to the County. The primary purpose may not be merely goodwill.

The meeting must be of a clear government nature and not for the purpose of furthering personal or social relationships between the employee(s) and guest(s) or the County and guest(s).

Without proper explanations documented on the forms for the purpose of the events, it is not possible to determine if the purchases that were reimbursed were appropriate. Public funds are deemed to be used inappropriately when Petty Cash and other Imprest Funds are used to pay for food at functions where the primary purpose is not to transact County Business.

RECOMMENDATION:

We recommend that employees completing the Meal Reimbursement Form indicate on the form the details of the purpose of the meeting to ensure the primary purpose of the function can be determined.

Refund Request forms did not always contain all of the required signatures. We reviewed a sample of transactions from the Imprest Checking Account – Patron Refund Account from January 2012 to August 2012 to determine if they had adequate documentation and approvals.

The Library System has a pre-printed Refund Request form that is completed when a patron requests a refund of fines that have been paid. The form developed by the Library

System has signature lines for the patron, the staff who initiated the refund, and the supervisor. Pre-printed under each line is the word "Required" indicating that each line must be completed.

In our review, we found Refund Request forms that did not contain all of the required signatures. In addition, the Staff Signature and Supervisor Signature lines on some Refund Request forms were signed by the same person. Furthermore, the Patron Signature had not been obtained for some Refund Request forms.

When the appropriate signatures are not included on the Refund Request forms, there is no indication that the transaction was appropriate or that the transaction was authorized and approved by a supervisor. Staff may be unaware of the importance of obtaining appropriate authorizations for transactions. However, for effective internal control, each line on the Refund Request form should be completed by the appropriate person.

RECOMMENDATION:

We recommend that Refund Request not be processed without the required signatures.

Bank reconciliations were not performed in a timely manner. We performed a review of the Imprest Checking Accounts in August 2012. Our review showed that the last bank reconciliations completed for both the Administrative Account and the Patron Refund Account were completed for the April 2012 bank statements.

Countywide Policy #1062, *Management of Public Funds*, Section 4.7.2 states,

A bank reconciliation shall be performed at least monthly by an employee designated by agency management.

Countywide Policy #1203, *Petty Cash and Other Imprest Funds*, Section 5.1.3 states,

In the case of Imprest Checking/Operating Accounts, the account's bank statement balance shall be reconciled at least monthly by an employee designated by agency management, who is not the custodian.

Errors and/or irregularities are not discovered when the accounts are not reconciled. Delays in monthly reconciliations allow errors and/or irregularities to remain unresolved. For example, the Administrative Account had an overage of \$25.99 because the fund custodian voided a check, but did not make an adjustment to the amount requested in the Reimbursement Request submitted to the Mayor's Office Accounting Section. The fund custodian prepared a second check payable to the same person for the same amount. The second check was included on the next Reimbursement Request that was submitted to the Mayor's Office Accounting Section. Therefore, the Administrative Account was reimbursed twice for the same amount.

The Fiscal Manager has been assigned the duties of bank reconciliations for the Imprest Checking Accounts; however, he has had many other priorities that needed to be

completed in the last few months. The Library Administration moved from the Whitmore Library to its new headquarters at the West Jordan Library in May 2012. The move added additional demands to the responsibilities of the Fiscal Manager. The competing priorities that the Fiscal Manager was involved with impeded his ability to stay current with the bank reconciliations.

RECOMMENDATION:

We recommend that the Imprest Checking Accounts be reconciled at least monthly.

CAPITAL AND CONTROLLED ASSETS

We reviewed capital and controlled asset management practices for compliance with the provisions in Countywide Policy #1125, “*Safeguarding Property/Assets.*” By definition, a capital asset is an individual item owned by the County that meets the criteria for capitalization. Currently, the capitalization threshold is \$5,000.

To identify capital assets at the Library, we obtained a Salt Lake County Capital Asset Inventory Report (AFIN0801) for the Library System and for Library Technology. The capital assets report showed four capital assets for Library Administration; we located these assets. In addition, we reviewed with the Property Manager the capital assets associated with Library Technology, such as the software and systems for the Library’s network, telephone system, print management system, and cashiering system.

Controlled assets are not tracked centrally by the County as capital assets are. A controlled asset is an item having a cost of \$100 or greater, but less than the current capitalization threshold, and which is sensitive to conversion to personal use. However, personal communication equipment, such as a cell phone or PDA, is considered a controlled asset regardless of the cost of the individual item.

Our review included an inventory of a statistical sample of controlled assets to verify their existence and determine if proper internal controls were in place to help mitigate the risk that these assets could be lost, stolen, or otherwise converted to personal use.

For controlled assets, the Library System maintains two lists, one for computer-related equipment and peripherals, and one for non-computer equipment. The Library System assigns responsibility for controlled assets to a central Property Manager, who works out of Library Administration at the West Jordan Library. Oversight of computer equipment and peripherals, such as monitors, printers, processors, and scanners is assigned to Library Information Services (IS) personnel. The IS personnel maintain a list of computer-related equipment and peripherals, and the Property Manager maintains the inventory of non-computer related controlled assets at Library Administration.

During our review of capital and controlled assets, we found that:

- *The locations for some assets on the Controlled Assets Inventory Lists needed to be updated.*
- *Six controlled assets were found at Library Administration that were not on either Controlled Assets Inventory List.*
- *Library Administration did not use the “Controlled Assets Inventory Form – Employee”*

The locations for some assets on the Controlled Assets Inventory Lists needed to be updated. We obtained current copies of both of the Controlled Assets Inventory Lists and examined a statistical random sample of 125 out of 935 controlled assets. During our inventory of controlled assets, we found incorrect locations for some items on the list.

When computer-related assets arrive at Library Administration, they are sent to the Storage Room. From the Storage Room, an item is sent to the Staging Lab to be readied to be sent to a library branch or to an area in Library Administration. Malfunctioning items at a library branch are immediately replaced. When items are replaced, the malfunctioning items are sent to Library Administration to be repaired. If efforts to repair an item are unsuccessful, it is placed on a shelf and labeled as surplus on the Controlled Assets Inventory List.

When broken or obsolete items are actually sent to County Surplus, the items are designated as "deleted" on the Controlled Assets Inventory List. One employee in the IS section has administrative rights to actually delete an item from the Controlled Assets Inventory List. The Storage Room, Surplus, and Staging Lab are all located in the IS Area of Library Administration. The terms are used to designate the various life-cycle stages for an asset.

In addition to incorrect locations, there were three controlled assets that could not be located. Some of the assets may have been physically moved to a new stage; however, it is difficult to locate an asset when the location is not updated on the Controlled Assets Inventory List. Table 1, below, shows the assets that we could not locate.

Controlled Assets on Lists That Could Not Be Located		
Bar Code	Description	Manufacturer
31181041200024	Monitor	Dell
31181043442418	Monitor	Dell
31181066299729	Thin Client	HP

Table 1: *Controlled assets that could not be located at Library Administration.*

Library Administration is in charge of purchasing, inventorying, staging, and distributing the computer-related assets for all of the library branches in the Library System. Because of the movement of computer-related assets due to items that need to be replaced at

the library branches, the Controlled Assets Inventory List for computer-related controlled assets is in continuous change.

The various movements of the assets through the areas of Library Administration and the tracking of the assets on the Controlled Assets Inventory List is a time-consuming job. Because there are 588 computer-related assets to track through the various stages, there are times when the location of an asset is not changed immediately when the asset is moved to a new stage. However, the timely updating of locations on the list is an important step since a lack of control in this area creates an environment wherein items are difficult to find and, consequently, could more easily be converted to personal use. Controlled assets are sensitive to conversion to personal use when they are not closely tracked by management. An asset cannot be physically safeguarded if its location has not been properly recorded.

Countywide Policy #1125, *Safeguarding Property/Assets*, Section 2.2.3 states,

Maintain records as to current physical location of all fixed assets and controlled assets within the organization's operational and/or physical custody.

Additionally, assets should be added or deleted to the Controlled Assets Inventory List as purchases occur or as assets are transferred to different locations in Library Administration, to another library branch, or to surplus.

RECOMMENDATION:

We recommend that the Controlled Assets Inventory Lists be updated on a continuous basis to accurately reflect the locations of assets in Library Administration.

ACTION TAKEN:

We worked with staff in Library IS to update the locations on the Controlled Assets Inventory List for computer-related assets that were listed incorrectly.

Six controlled assets were found at Library Administration that were not on either Controlled Assets Inventory List. In addition to reviewing assets that were on the Controlled Assets Inventory Lists, we also looked at assets that were at Library Administration, but were not on the lists. During the inventory of controlled assets, we found six controlled assets that were not on either Controlled Assets Inventory List. Four of the six assets each had a Library Bar Code tag on them. Table 2, on page 8, shows the assets that were not on the Controlled Assets Inventory Lists.

Controlled Assets at Library, But Not on Controlled Assets Inventory Lists	
Bar Code	Description
None	Light Set
31181080164560	3-Drawer Filing Cabinet
31181080166359	7-Drawer Cabinet
31181066347346	Dell Monitor
None	Cash Drawer
31181086227288	Viewsonic TV

Table 2: Six assets were found at Library Administration that were not on either Controlled Assets Inventory List.

General accountability for controlled assets is the responsibility of each organization's Property Manager. In addition, individual accountability rests with each employee assigned controlled assets. Library Administration moved into its new building in June 2012. The Property Manager had several responsibilities in addition to recording the controlled assets.

Countywide Policy #1125, "Safeguarding Property/Assets" Sections 2.2.3 and 2.2.4 state,

Maintain records as to current physical location of all fixed [capital] assets and controlled assets within the organization's operational and/or physical custody.

Safeguard all property subject to this policy for which the organization has custodial responsibility.

Controlled assets are easy targets for conversion to personal use if they are not included on an Agency's Controlled Assets Inventory List. Assets cannot be properly safeguarded if items have not been recorded on the list. Additionally, controlled assets are sensitive to conversion to personal use when they are not closely tracked by management.

The Controlled Assets Inventory Lists should be updated to reflect additions and deletions of assets which will provide an accurate basis for conducting annual inventories. Moreover, items should be added to or deleted from the respective Controlled Assets Inventory List as purchases occur or as assets are transferred to surplus or to another library location.

We discussed the controlled assets with the employee who is in charge of the controlled assets list for computer-related assets. He stated that the monitor, cash drawer, and TV had recently been acquired and were added into inventory after we received the Controlled Assets Inventory List. We also discussed the non-computer assets with the Property Manager who verified that the cabinets and light set had been added to the Controlled Assets Inventory List.

RECOMMENDATION:

We recommend that the Controlled Assets Inventory Lists be updated on a continuous basis to accurately reflect the assets at Library Administration.

ACTION TAKEN:

The staff in Library IS updated the computer-related Controlled Assets Inventory List to include the monitor, cash drawer, and TV. The Property Manager updated the non-computer Controlled Assets Inventory List to include the cabinets and light set.

Library Administration did not use the “Controlled Assets Inventory Form – Employee.” Countywide Policy #1125, *Safeguarding Property/Assets*, requires the use of two different Controlled Assets Inventory Forms, one for employees and one for the organization, or, “forms that contain substantially the same information.” A key aspect of the prescribed forms is the certification, described in Countywide Policy #1125, Section 4.3.3:

The “Certification”...states that the employee (for assets assigned to employees), and the Property Manager (for assets not assigned to individual employees) are accountable for all property assigned to them.

These forms require that the employees sign to acknowledge their acceptance of accountability.

Section 2.3.4, states,

...At least annually, employees assigned fixed [capital] or controlled assets shall review the list of assigned assets and provide verification by his/her signature to the Property Manager as to the accuracy and completeness of the list.

The Property Manager has not maintained the "Controlled Assets Inventory Form - Employee." Therefore, each employee who is assigned controlled assets has not been asked to review and approve the items in his/her possession.

The Property Manager uses Asset Manage software to maintain the list of non-computer related controlled assets with the assets grouped by the individual who has specific controlled assets. Staff in Library IS maintains a list of the computer-related controlled assets on a database. Printouts of these lists essentially become the Library’s controlled asset forms. However, these forms do not contain a certification statement with signature line for each person that has been assigned specific controlled assets. Signing to indicate acceptance of responsibility for assets increases the importance to the signer of properly accounting for those assets.

RECOMMENDATIONS:

- 1. We recommend that the Property Manager complete a “Controlled Assets Inventory Form – Employee” for each employee who individually is assigned controlled assets.*
- 2. We recommend that all employees who are assigned controlled assets review the “Controlled Assets Inventory Form – Employee” to indicate their verification of the assets.*

In closing, we express appreciation to the staff at Library Administration for the cooperation and assistance they gave us during our audit. We trust that implementation of the recommendations made in this letter will help to improve operations, ensure the security of County assets, and strengthen internal controls throughout the Library. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By:  _____
Cherylann Johnson, MBA, CIA, CFE
Senior Deputy Auditor

Cc: James D. Cooper
April Townsend
Javaid Lal



HUMAN SERVICES
DEPARTMENT

"Making a positive
difference"

January 14, 2013

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

RE: Management Response to the Limited Scope Audit for the Library
Administration

Dear Mr. Hawkins:

This letter is in response to the draft audit report of the Library Administration. We'd like to thank Cherylann Johnson, the lead auditor for planning and completing limited scope audit in accordance with the Countywide Policy # 1062, Management of Public Funds, Countywide Policy # 1020, County Meals, Countywide Policy # 1125, Safeguarding Property/Assets, and Library System internal policies and procedures. The draft audit report was presented to the Library Administration on January 03, 2013. .

Attached are the Library management's written responses. As reflected in the responses, we are committed to strengthen our internal financial controls and reasonably implement audit recommendations whenever applicable. If you have any questions or require further information, please call me at 801-944-7504.

JAMES D. COOPER
LIBRARY DIRECTOR
jimcooper@slcolibrary.org

**LIBRARY
ADMINISTRATION**

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Sincerely,

A handwritten signature in blue ink that reads 'Cooper'. The signature is stylized and cursive.

James D. Cooper, Director

**A Limited Scope Audit of the Library Administration
Management Response to the Audit Findings**

Finding # 1

Documentation for some meal reimbursement requests did not clearly state a County purpose.

Recommendation:

We recommend that employees completing the Meal Reimbursement Form indicate on the form the details of the purpose of the meeting to ensure the primary purpose of the function can be determined.

Management Response:

We concur with the findings. The Library will ensure that all meal reimbursements are properly documented and clearly state the purpose of the meeting.

Finding # 2

Refund Request forms did not always contain all of the required signatures.

Recommendation:

We recommend that Refund Request not be processed without the required signatures.

Management Response:

We concur with the findings. The Library will establish standard operating procedures for its staff to properly execute refund requests. However, in some cases, patron is not available in person to sign the refund request i.e. when fine payment check arrives in mail and refund may need to be issued due to an overpayment.

Finding # 3

Bank reconciliations were not performed in a timely manner.

Recommendation:

We recommend that the Imprest Checking Accounts be reconciled at least monthly.

Action taken:

The Imprest Checking Account reconciliation is current and a fiscal staff is assigned to perform monthly bank reconciliations.

**Finding # 4-6
(Capital and Controlled Assets)**

Finding # 4

The locations for some assets on the Controlled Assets Inventory Lists needed to be updated.

Recommendation:

We recommend that the Controlled Assets Inventory Lists be updated on a continuous basis to accurately reflect the locations of assets in Library Administration.

Action Taken:

We worked with staff in Library IS to update the locations on the Controlled Assets Inventory List for computer-related assets that were listed incorrectly.

Finding # 5

Six controlled assets were found at Library Administration that were not on either Controlled Assets Inventory List.

Recommendation:

We recommend that the Controlled Assets Inventory Lists be updated on a continuous basis to accurately reflect the assets at Library Administration.

Action taken:

The staff in Library IS updated the computer-related Controlled Assets Inventory List to include the monitor, cash drawer, and TV. The Property Manager updated the non-computer Controlled Assets Inventory List to include the cabinets and light set.

Finding # 6

Library Administration did not use the “Controlled Assets Inventory Form – Employee.

Recommendation:

1. We recommend that the Property Manager complete a “Controlled Assets Inventory Form – Employee” for each employee who individually is assigned controlled assets.
2. We recommend that all employee who are assigned controlled assets review the “Controlled Assets Inventory Form – Employee” to indicate their verification of the assets.

Management Response:

We concur with the findings. The Library has added a verification statement on the printouts that will be signed by all employees who are assigned any controlled assets.

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