

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR



An Audit of the Key Controls of
Sandy Library

May 14, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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May 14, 2013

Ben McAdams, Mayor
Salt Lake County
2001 S State St #N2100
Salt Lake City, UT 84114-4575

Re: An Audit of the Key Controls of Sandy Library

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Sandy 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 Sandy Library and the cooperation from Janene Alvey, Circulation Supervisor, Stephanie Bertin, Assistant Manager, Kristen Wayman, Assistant Circulation Supervisor, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Sandy Library during our audit. The staff was friendly, courteous, and very helpful. We trust that the implementation of the recommendations will provide for more efficient operations and better safeguarded County assets. Please feel free to contact me with any questions.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By Anita C. Kasal
Deputy Auditor

cc: Jim Cooper, Library Director
Javaid M. Lal, Administrative and Fiscal Manager
Darin Butler, Library Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Sandy 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 Sandy Library has put into place key internal controls for managing public funds, safeguarding public assets, and payroll reporting. Most risks identified were minor and would not be expected to result in the material loss of County assets. Deficiencies in certain internal controls over the change fund and cash receipting procedures have a higher likelihood of leading to a loss of County property.

Findings, Recommendations, and Management Responses

Finding # 1 - Mid-day and end-of-day cash counts were made without using a transfer receipt or having a compensating control in place.

Risk Level: Moderate

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

"If a cashier is not required to balance their individual cash drawer, an MPF Form 7A, Fund Transfer Receipt, or similar form shall be completed to document the transfer of funds to the employee performing the balancing procedure."

The Sandy Library supervisor took possession of the three cashier drawers during a mid-day and an end-of-day count without receiving a fund transfer receipt from the cashier. No compensating control such as having two people perform the count was in place.

When the change fund transfer is not documented then funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that Sandy Library use the MPF Form 7A to document the transfer of funds or that a compensating control over funds be implemented.

Management Response

Sandy Library rotates cashiering staff on hourly basis. The volume and monetary value of transactions would overly burden the staff and it would not be cost-effective to complete transfer of funds receipt every hour. However, Sandy Library will use transfer of funds receipt (MPF Form 7A) during mid-day and end-of-day cash counts and record the transfer of funds between an on duty cashier and the supervisor or clerk-in-charge.

Finding # 2 - No fund transfer log was used to document the movement of funds retrieved from or returned to the safe.

Risk Level: Moderate

Countywide Policy #1062 "Management of Public Funds," Section 2.7.3 states:

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

Sandy Library staff did not log when the change fund was retrieved from the safe, when funds from machines were placed in the safe, or when the change fund in the cashier drawers at the end-of-the day was returned to the safe.

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

Recommendation

We recommend that Sandy Library use an MPF Form 7 "Fund Transfer Ledger" or similar log to record movement of the funds to and from the safe.

Management Response

Sandy Library will create and sign a "Fund Transfer Ledger" to document movement of change fund to and from the safe to comply with Countywide Policy #1062, Sec. 2.7.3.

Finding # 3 - Cashiers were not accountable for overages or shortages.

Risk Level: Moderate

Countywide Policy #1062 "Management of Public Funds," Section 5.3.1 states:

"All overages and shortages, regardless of the amount, should be recorded daily by each Cashier on MPF Form 11, Cash Over/Short Log. When a significant shortage or a pattern of shortages occurs in the accounts of any Cashier, Agency Management shall conduct an investigation of the circumstances and report their findings to the [Mayor's Office]. This reporting can be accomplished informally by email."

The Sandy Library cashiers did not balance their cash drawers when changing shifts. Accountability of cash outages could not be identified to individuals.

When cash overages and shortages are not reported by each individual cashier, then Agency Management will not be able to determine when a significant pattern of shortages occurs for a cashier.

Recommendation

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

Management Response

Due to low volume and low monetary value of transactions, Sandy Library staff and Library Fiscal department staff reviews all shortages and overage in the aggregate on daily basis. All outages over \$2 are reviewed and investigated to identify patterns. It would not be cost-effective for the library to assign a dedicated cashier to each cash register. The Library staff is cross-trained in different areas of library operations to better utilize their time and to provide better customer service.

Finding # 4 - A customer receipt obtained in a voided transaction was not marked "VOID."

Risk Level: Low

Countywide Policy #1062 "Management of Public Funds," Section 3.7 states:

"All copies will be marked "VOID," including the customer copy, if available. The cashier initiating the voided transaction will document, on the front of the voided receipt, the cause of the voided transaction and its resolution."

The customer copy of a voided receipt was not marked "VOID" in deposit documentation.

When receipts are voided and all copies are not marked as "VOID," funds remain at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that Sandy Library mark all copies of available receipts as "VOID" when voiding a transaction.

Management Response

Sandy Library will comply with the Countywide Policy# 1062, Sec. 3.7 and mark voided transactions as "VOID." The Library Circ. Supervisor will provide necessary training to all cashiering staff.

Finding # 5 - An SAQ representing Library Agency management's compliance with PCI 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."

An SAQ representing Library Agency management's compliance with PCI had not been completed and was not on file.

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

Recommendation

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

Management Response

Salt Lake County Library is currently working on a system-wide PCI compliance process. A most recent SAQ-C questionnaire was provided to the audit team. The Library is currently at 78% completion on SAQ-C certificate based on scanning data from a third party PCI scanning service. A plan is in place to complete Level-C compliance in 2013.

Finding # 6 - No comprehensive software inventory was on file.

Risk Level: Low

Countywide Policy #1400-3 "Information Technology Security Policy: Software Licensing Policy," Section 3.5 states:

"County agency management shall maintain a current software inventory which includes at least the following: number of authorized and actual installations, license agreement, and proof of purchase. County agency management shall conduct an annual review of their software inventory. Software inventories shall be updated whenever new software is acquired and/or installed or software is uninstalled, or the IT resource and/or system is transferred, decommissioned or sent to surplus."

Salt Lake County Library Agency management did not complete a software inventory.

When a software inventory is not maintained, there is an increased risk of unlicensed software on Sandy Library computers, which could result in fines and penalties. In addition, available software licenses may not be fully utilized.

Recommendation

We recommend that Library Agency management complete and maintain their software inventory.

Management Response

The Library Technology department maintains an inventory of authorized installations, license agreements, and proof of purchase. The number of actual installation project is underway in 2013 using KACE inventory tracking system. The Library also plans to install Windows 7 on all library computers with improved ability to restrict software installation on library computers.

Finding # 7 - The Daily Cash Collections Form lacked a supervisory signature as evidence of review.

Risk Level: Low

Countywide Policy #1062 "Management of Public Funds," Section 4.2.2 states:

"The "master" balance sheet shall be reviewed and reconciled to the bank deposit slip, and signed by another employee designated by Agency Management; and if possible, by an individual with equal or higher authority than the individual who prepared the deposit."

A person of equal or higher authority was not documenting a review and reconciliation to the Agency receipt (alternative bank deposit slip), on the Daily Cash Collections Form.

When a cashier is also the deposit preparer, and no review or reconciliation is documented by a person of equal or higher authority, funds are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that a person of equal or higher authority review the deposit preparer's work, reconcile the Agency receipt, and verify their review by signing the Daily Cash Collections Form.

Management Response

To comply with the Policy # 1062, Library Fiscal department staff reviews daily deposit sheet with the bank deposit slip for accuracy. Library Fiscal Coordinator performs an off-site review of the deposits. The Coordinator receives a copy of the balance sheet (Daily Cash Collection Form) and bank deposit slip along with deposits in a tamper-proof bag. A master deposit is prepared after the review and a receipt confirmation is sent to Sandy Library staff preparing the deposit.

Library Agency requires original itemized receipts and other documentation be retained and maintained by Agency fiscal management.

Additional Information

Background

The Sandy Library is located at 10100 South Petunia Way, Sandy, Utah. The mission of Salt Lake County Library Services is to make a positive difference in the lives of customers by responsibly providing materials, information and services at community libraries located throughout the Salt Lake Valley. In early 1939, the Salt Lake County Library opened in two rooms of the old Midvale School. Today over 70% of area residents hold a library card. Serving the needs of a growing and diverse population, Salt Lake County operates 19 libraries and two reading rooms. Advancements in library technology has allowed express check-in at several locations, self-checkout at all libraries and access to the world of electronic information through a new library website.

Scope

Our work included a formal examination of financial records related to the following key internal controls, to the degree applicable:

- Change fund
- Petty Cash and Imprest Accounts
- Cash Receipting
- Cash Depositing
- Credit / Debit Card
- Capital and Controlled Assets and Software Inventory
- Financial Computer Controls
- Purchasing Card Use
- Payroll Practices

Our examination period covered up to twelve months ending April 15, 2013. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices.