

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR



An Audit of the Key Controls of
Draper Library

October 28, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

Audit reports are available at
<http://www.saltlakecountyauditor.org/site/audit/>



October 28, 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 Draper Library

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Draper 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 Draper Library and the cooperation from Danette Hantla, Library Manager, Melissa Neville, Circulation Desk Supervisor, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Draper 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
Javaid Lal, Administrative and Fiscal Manager
Danette Hantla, Library Manager

GREGORY P. HAWKINS
Salt Lake County Auditor

LONN LITCHFIELD, JD, LL.M.
Chief Deputy Auditor

2001 South State Street, N3300
PO Box 144575
Salt Lake City, UT 84114-4575

(385) 468-7200
(385) 468-7201 / fax
GHawkins@slco.org



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Draper 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 Draper 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 segregation of duties, cash depositing, cash receipting, PCI compliance, and safeguarding personally identifiable information have a higher likelihood of being a liability to the County.

Findings and Recommendations

Finding # 1 - Cash balance sheet was not reviewed and signed by an independent party.

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."

All circulation desk employees including supervisors at the Draper Library acted as cashiers and were involved in the cash handling process. Review of the cash balance sheet was not performed by an independent party.

Failing to segregate duties through a lack of independent review increases the risk of theft, embezzlement, or misuse of public funds through fraudulent record keeping.

Recommendation

We recommend that MPF Form 3A, "Cash Balance Sheet," or similar forms be reviewed and signed by an employee not involved in the cash handling process.

Finding # 2 - Personally Identifiable Information was unsecure during the online library card sign up process.

Risk Level: Moderate

Salt Lake County Code of Ordinances Chapter 2.81 "Security of Personal Identifiers," Section 2.81.020 states:

"Each agency shall have in place... procedures for the secure collection, maintenance, transmission, transfer, or disposal of personal identifiers."

When the public signs up for a library card on the internet, the information is transmitted as plain text, unencrypted (non-SSL), and is not secured.

When personally identifiable information is not secured, there is an increased risk of information being lost, stolen, or diverted for personal use.

Recommendation

We recommend that Library Services secure personally identifiable information transmitted during the online library card sign up process.

Finding # 3 - Merchandise inventory was not tracked.

Risk Level: Moderate

Countywide Policy #1125, "Safeguarding Property/Assets," states in the Purpose that:

"Salt Lake County procures a variety of property and equipment necessary for government operations, which must be properly managed -- meaning, controlled, inventoried and protected."

The Draper Library was not tracking merchandise inventory. There was no record of inventory tracking and reconciling, including: an inventory list, inventory counts that equal the prior inventory count plus purchases less the cost of items sold, and shrinkage reports.

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

Recommendation

We recommend that Draper Library track and reconcile their merchandise inventory.

Finding # 4 - 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."

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 that does not perform cashiering duties.

Finding # 5 - 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 # 6 - An SAQ representing Library Services' 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 Services' compliance with PCI had not been completed and was not on file.

An agency that is not compliant with PCI-DSS is at an increased risk of cardholder data breaches, fines, and loss of the ability to accept credit cards as payments.

Recommendation

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

Finding # 7 - Controls over checks received through the mail were not adequate.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Sections 3.1.5 and 3.1.6 state:

"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. The duties of opening the mail and summarizing the daily receipt of checks should be separated from the duty of posting payments in the cash receipts journal unless Agency Management determines that doing so is operationally burdensome. If operationally burdensome, Agencies shall adopt compensating internal controls to insure that the posting of payments to accounts is consistently overseen and reviewed by Agency Management or Fiscal Managers."

Employees posting cash receipts were the same as those collecting payments received by mail. Additionally, checks received by mail were not opened and recorded by two employees.

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

Recommendation

We recommend that the duty of opening the mail and summarizing the receipt of checks be separated from the cash receipting duty, or that compensating controls be adopted to oversee and review the process.

We recommend that checks received in the mail be opened and recorded on a log in the presence of two staff members.

Finding # 8 - An MPF Form 7, "Fund Transfer Ledger," or similar log was not used.

Risk Level: Low

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."

An MPF Form 7, "Fund Transfer Ledger," or similar log was not used at the Draper Library to record retrievals and returns of funds from the safe.

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

Recommendation

We recommend that the Draper Library use MPF Form 7 "Fund Transfer Ledger, or similar log to record retrievals and returns of funds from the safe.

Finding # 9 - The annual comprehensive controlled asset inventory was not verified with a signature.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Section 2.2.11 states:

"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."

A "Controlled Asset Inventory Form - Organization" was available, however, the signature verifying that the annual comprehensive controlled asset inventory had been performed was missing.

When inventories are not verified by signature, accountability for controlled assets is not ensured.

Recommendation

We recommend that performance of the annual comprehensive controlled asset inventory be verified with a signature.

Finding # 10 - MPF Form 11, "Cash Over/Short Logs," were not being used.

Risk Level: Low

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."

Cash overages and shortages were not recorded on MPF Form 11 logs prior to June of 2013.

When overages and shortages are not tracked by a cashier and reviewed by a supervisor, trends may not be noted and needed training and/or remediation may not occur.

Recommendation

We recommend that the Draper Library record overages and shortages on MPF Form 11.

Action Taken: The Draper Library began recording overages and shortages on MPF Form 11 in June of 2013.

Finding # 11 - MPF Form 3A, "Cash Balance Sheet," or similar forms were not signed by the cashiers.

Risk Level: Low

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

"If prepared manually on MPF Form 3A, or similar form, the cash balance sheet should be signed by the cashier for each cash register or location where cash is accepted."

During review 50 out 60 cash balance sheets were not signed by the cashier.

When the cash balance sheet is not signed by the cashier, accountability for funds entrusted to each cashier is not ensured.

Recommendation

We recommend that each MPF Form 3A, "Cash Balance Sheet," or similar forms (Smart Money reports) be signed by the cashier.

Finding # 12 - The "Controlled Assets Inventory Form - Employee" was not used.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," Sections 4.3 and 4.3.1 state:

"The Property Manager shall maintain records to manage controlled assets using the following forms (or forms that contain substantially the same information) and procedures... 'Controlled Assets Inventory Form - Employee' is used for those assets that due to their nature, are used by and therefore readily assignable to an individual."

The form "Controlled Asset Inventory Form - Employee" was not used to manage controlled assets assigned to employees.

When accountability for assets is not fully established, assets are at a greater risk for being lost or stolen.

Recommendation

We recommend that assets readily assignable to one employee be included on the "Controlled Asset Inventory Form - Employee" and that employees sign for assets under their control.

Finding # 13 - Three visual art assets were not listed on the Mayor's Office capital asset report.

Risk Level: Low

Countywide Policy #1003, "Visual Art Acquisitions," Section 4.4 states:

"The County Auditor's Office [Mayor's Office] shall be notified each time there is an acquisition and/or donation of visual art. The necessary paperwork detailing the acquisition of the art shall be completed and forwarded to the Auditor [Mayor's Office]. The Auditor [Mayor's Office] shall add the art to the County's fixed assets."

Three visual art assets were found and were not listed on the Mayor's Office capital asset report.

When accountability for assets is not fully established, assets are at a greater risk for being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the Draper Library notify the Mayor's Office of the three visual art assets.

Finding # 14 - A public access from the library to the outside is not monitored by library material security gates.

Risk Level: Low

Countywide Policy #1125, "Safeguarding Property/Assets," states in the purpose:

"Salt Lake County procures a variety of property and equipment necessary for government operations, which must be properly managed -- meaning, controlled, inventoried and protected."

It was disclosed that a public access from the library to the outside is not monitored by library material security gates. Because of the nature of the Draper Library floor plan library materials can be removed from the library and taken to the outside through a meeting room without crossing the library material security gates.

When protection for library materials is not fully established, library materials are at a greater risk for being lost, stolen, or diverted for personal use.

Recommendation

We recommend that the Draper Library fully protect library materials.

Additional Information

Background

The Draper Library is located at 1136 East Pioneer Rd (124th South) in Draper. Built in 2005, the buildings unique architecture and xeriscaped landscape makes it an environmental friendly "green building". The Draper Library offers a variety of amenities, including books, DVDs, music CDs and audio books. The library also offers 25 computers with internet access and word processing capabilities, as well as high speed wireless access, a large meeting room, and a small conference room. The Draper 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

Our examination period covered up to twelve months ending August 31, 2013. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices.

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



HUMAN SERVICES
DEPARTMENT

"Making a positive
difference"

October 23, 2013

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

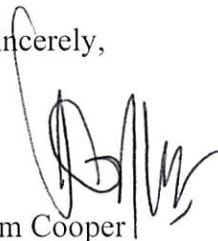
RE: Management Response to the Audit of the Key Controls of Salt
Lake County Draper Library

Dear Mr. Hawkins:

This letter is in response to the audit report of Salt Lake County Draper
Library. We'd like to thank Leonardo Flores and Todd Livingston for
planning and completing the audit in accordance with Utah Code Ann. §
17-19a-204.

As reflected in our responses, we are committed to strengthen 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,

For: 

Jim 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 Draper 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. Draper 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 - Cash balance sheet was not reviewed and signed by an independent party.

Risk Level: [Moderate](#)

Recommendation

We recommend that MPF Form 3A, "Cash Balance Sheet," or similar forms be reviewed and signed by an employee not involved in the cash handling process.

Management Response:

The Draper Library has following compensating controls: Library Fiscal Coordinator performs an off-site (Admin) review of daily cash deposits. The Coordinator receives 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 an electronic confirmation is sent to Draper Library for verification purposes. Finally, Library Accountant reconciles daily cash collection sheet with the sales ledger. We believe that sufficient controls are in place to mitigate any risk to public funds.

Finding # 2 - Personally Identifiable Information was unsecure during the online library card sign up process.

Risk Level: [Moderate](#)

Recommendation

We recommend that Library Services secure personally identifiable information transmitted during the online library card sign up process.

Management Response:

Action Taken: The Library is the process of implementing new Integrated Library System (ILS). The new system is designed to provide secure online library card sign up process. The new ILS will go live in December 2013.

Finding # 3 - Merchandise inventory was not tracked.

Risk Level: [Moderate](#)

Recommendation

We recommend that Draper Library track and reconcile their merchandise inventory.

Management Response:

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

Finding # 4 - Employees working as cashiers also prepared the deposit.

Risk Level: [Moderate](#)

Recommendation

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

Management Response:

The Library Circulation Supervisor and Assistant Circulation Supervisor are primarily responsible for preparing deposits. Utmost effort is made to separate closing cashiers from the opening responsibilities or preparing deposits. However, due to limited staffing resources and scheduling conflicts, it is imperative that the supervisors assume cashiering responsibilities as well as prepare deposits. Library believes that sufficient compensating controls are in place to mitigate any risks to public funds.

Finding # 5 - 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:

Due to low volume and low monetary value of transactions, Draper Library staff and Library Fiscal department staff reviews all shortages and overages in the aggregate on daily basis. All outages or shortages over \$2 are reviewed and investigated to identify patterns. It would not be cost-effective for the library to assign a dedicated cashier to

each cash register. Library staff is cross-trained in different areas of library operations to better utilize their time and to provide better customer service.

Finding # 6 - An SAQ representing Library Services' compliance with PCI 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 the Draper 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 towards a system-wide PCI compliance. The Library is at 85% completion on SAQ-C certificate based on scanning data from a third party PCI scanning service. A plan is in place to complete Level-C compliance in 2013-14.

Finding # 7 - Controls over checks received through the mail were not adequate.

Risk Level: **Low**

Recommendation

We recommend that the duty of opening the mail and summarizing the receipt of checks be separated from the cash receipting duty, or that compensating controls be adopted to oversee and review the process. We recommend that checks received in the mail be opened and recorded on a log in the presence of two staff members.

Management Response:

Payment in the mail is a rare occurrence at Salt Lake County library branches. Library management will advise all Circulation Supervisors to read Countywide Policy # 1062 and create a check log to record payments in the mail.

Finding # 8 - An MPF Form 7, "Fund Transfer Ledger," or similar log was not used.

Risk Level: **Low**

Recommendation

We recommend that the Draper Library use MPF Form 7 "Fund Transfer Ledger, or similar log to record retrievals and returns of funds from the safe.

Management Response:

The Draper 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 # 9 - The annual comprehensive controlled asset inventory was not verified with a signature.

Risk Level: **Low**

Recommendation

We recommend that performance of the annual comprehensive controlled asset inventory be verified with a signature.

Management Response:

Action Taken: Draper Library Manager has a signed copy of controlled inventory.

Finding # 10 - MPF Form 11, "Cash Over/Short Logs," were not being used.

Risk Level: **Low**

Recommendation

We recommend that the Draper Library record overages and shortages on MPF Form 11.

Management Response:

Action Taken: The Draper Library began recording overages and shortages on MPF Form 11 in June of 2013.

Finding # 11 - MPF Form 3A, "Cash Balance Sheet," or similar forms were not signed by the cashiers.

Risk Level: **Low**

Recommendation

We recommend that each MPF Form 3A, "Cash Balance Sheet," or similar forms (Smart Money reports) be signed by the cashier.

Management Response:

Action Taken: Smart Money Report (Cash Balance Sheet) is being signed on daily basis.

Finding # 12 - The "Controlled Assets Inventory Form - Employee" was not used.

Risk Level: **Low**

Recommendation

We recommend that assets readily assignable to one employee be included on the "Controlled Asset Inventory Form - Employee" and that employees sign for assets under their control.

Management Response:

The majority of the Draper Library computers and printers have a shared use, therefore, cannot be assigned to individual employees. Library manager is ultimately responsible for custody of all assets. However, Library management will identify individually assigned assets and complete "Controlled Assets Inventory Form-Employee" during our annual controlled assets inventory.

Finding # 13 - Three visual art assets were not listed on the Mayor's Office capital asset report.

Risk Level: **Low**

Recommendation

We recommend that the Draper Library notify the Mayor's Office of the three visual art assets.

Management Response:

Action Taken: County Public Arts Programs Coordinator was informed of the art pieces not on capital assets list.

Finding # 14 - A public access from the library to the outside is not monitored by library material security gates.

Risk Level: **Low**

Recommendation

We recommend that the Draper Library fully protect library materials.

Management Response:

Library uses available technological solutions including RFID tags, security gates and cameras to protect library materials from theft. It would be cost prohibitive to install such devices at every single entrance and exit doors. Furthermore, the meeting room door in question is also a fire exit; therefore it cannot be locked for public safety reasons.