

A REPORT  
TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR



An Audit of the Key Controls of  
Kearns Library

March 27, 2014

**GREGORY P. HAWKINS**

SALT LAKE COUNTY AUDITOR

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





GREGORY P. HAWKINS  
Salt Lake County Auditor

LONN LITCHFIELD, JD, LLM  
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

{Print Date}

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 Kearns Library

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Kearns 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 Kearns Library and the cooperation from Jennifer Fay, Library Manager, Tina Miller, Circulation Desk Supervisor, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Kearns 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  
Jennifer Fay, Library Manager





## Objectives

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

## Findings and Recommendations

---

***Finding # 1 - 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."

A previous audit conducted in 2013 found that multiple cashiers used the same cash drawer. A retest showed that multiple cashiers continue to use 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 # 2 - 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 # 3 - An SAQ representing Library Services' compliance with PCI-DSS had not been completed and was not on file.***

---

**Risk Level: Low**

Countywide Policy #1400-7, "Payment Card Industry Data Security Standard Policy," Section 3.0 states:

"Any County agency that accepts, processes, transmits or stores cardholder data using any County IT Resource or system shall comply with the Payment Card Industry Data Security Standard (PCI-DSS) in its entirety."

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

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

***Recommendation***

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

---

***Finding # 4 - A meal reimbursement form was not signed by the Elected Official or Division/Department Director.***

---

**Risk Level: Low**

Countywide Policy #1020, "County Meals," Section 6.1 states:

"All requests for payment (including reimbursements from petty cash accounts) shall be submitted with the attached form which contains: the date of the meeting; the location of the meeting; the type of meeting, whether a breakfast, lunch, or dinner; certification of the purpose of the meeting and the group attending in relation to County business; the total number of attendees, with employees separated from other attendees; the total payment amount requested; the signature of the person submitting the request; the date the request was signed; the signature of the Division or Department Director or Elected Official approving the request; the date approved by the official; and a copy of the bill or receipt."

A meal reimbursement form was not signed by the Elected Official or Division/Department Director for a meal purchase made with the Kearns purchasing card.

When reimbursement forms are not signed by the Elected Official or Division/Department Director, proper authorization for meal purchases cannot be verified.

***Recommendation***

We recommend that all Meal Reimbursement Forms be signed and dated by the Elected Official or Division/Department Director.

---

***Finding # 5 - Controlled asset records were not maintained.***

---

**Risk Level: Low**

Countywide Policy #1125, "Safeguarding Property Assets," Section 4.3 states:

"The Property Manager shall maintain records to manage controlled assets..."

Out of 79 assets listed on the controlled assets inventory list, 12 were found to have outdated asset numbering information. Additionally, one asset was found that was not listed on the inventory list.

When controlled asset records are not maintained, controlled assets are not properly managed resulting in the increased risk of assets being lost, stolen, or diverted for personal use.

***Recommendation***

We recommend that controlled asset records be maintained with updated information.

---

***Finding # 6 - Cash balance sheets were not reviewed and signed by an independent party.***

---

**Risk Level: Low**

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 Kearns Library acted as cashiers and were involved in the cash handling process. Review of the daily cash balance sheets 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.

## **Additional Information**

### **Background**

The Kearns Library is located at 5350 South 4220 West, Kearns, Utah. The mission of Salt Lake County Library Services 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. 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. To serve 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
- Accounts Receivable
- Accounts Payable
- Third Party Contracts

Our examination period covered up to twelve months ending January 31, 2014. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices. Retesting of prior audit findings was also performed, where applicable.

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





HUMAN SERVICES  
DEPARTMENT  
"Making a positive  
difference"

March 27, 2014

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 Kearns Library

Dear Mr. Hawkins:

This letter is submitted pursuant to the audit report of the Salt Lake  
County Kearns Library. We'd like to thank Deputy Auditor Leo Flores for  
planning and completing the audit in accordance with Utah Code Ann.  
§17-19a-204.

As reflected in our responses, we are determined to strengthening our  
internal financial controls and reasonably implement the audit  
recommendations.

If you have any questions or need any additional information, please feel  
free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'D Cooper', with a long horizontal line extending to the right.

James D. Cooper  
Director

**JAMES D. COOPER**  
LIBRARY DIRECTOR  
jimcooper@slcolibrary.org

**LIBRARY  
ADMINISTRATION**

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

[slcolibrary.org](http://slcolibrary.org)

**Salt Lake County Kearns Library  
Management Response to the Audit Findings**

Salt Lake County Library management is ultimately responsible for implementing internal controls to protect assets. Information and to ensure policy objectives are achieved. The Kearns 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** - 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, Kearns Library staff and Library fiscal department staff review all shortages and overages in the aggregate on a 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. The library staff is cross-trained in different areas of library operations to better utilize their time and to provide better customer service.*

---

**Finding # 2** - 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 Kearns Library circulation supervisor and assistant circulation supervisor is 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 supervisors assume cashiering responsibilities as well as prepare deposits. The library believes that sufficient compensating controls are in place to mitigate any risks to public funds.*

**Finding # 3** - 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 Kearns Library keep a copy of the SAQ on file to show they are aware of and compliant with PCI requirements.

**Management Response:**

*Action Taken: Salt Lake County Library is currently seeking 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. The Library is also working with the County Information Services to provide PCI Awareness training to library staff that handles credit card payments.*

---

**Finding # 4** – A meal reimbursement form was not signed by the Elected Official or Division/Department Director.

Risk Level: **Low**

**Recommendation:**

We recommend that all Meal Reimbursement Forms be signed and dated by the Elected Official or Division/Department Director.

**Management Response:**

*All Meal Reimbursement Forms are sent to the Library Fiscal Manager; designed by the Library Director to approve all meal reimbursement requests. The Purchasing Card paperwork along with the Meals Reimbursement Form is sent to Fiscal Manager after closing of the transaction cycle. Fiscal Manager then reviews and signs the forms.*

---

**Finding # 5** – Controlled assets records were not maintained.

Risk Level: **Low**

**Recommendation:**

We recommend that controlled assets records be maintained with updated information.

**Management Response:**

*Action Taken: Controlled assets records were updated immediately after the audit.*

---

**Finding # 6** – Cash Balance Sheets were not reviewed and signed by an independent party.

Risk Level: **Low**

**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:**

*Action Taken: The Kearns Library has the following compensating controls: Library fiscal coordinator performs an off-site (Admin) review of daily cash deposits. Additionally, the Library has been instructed to send nightly cash count paperwork to reconcile with the deposit paperwork.*

---