

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR



An Audit of the Key Controls of
Columbus Library

May 15, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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May 15, 2014

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 Columbus Library

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Columbus 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 Columbus Library and the cooperation from Darlene Nethery, Library Manager, Bob Oveson, Circulation Desk Supervisor, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Columbus 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
April Townsend, Associate Director Finance & Operations
Elizabeth Anguiano, Interim Administrative & Fiscal Manager
Darlene Nethery, Library Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Columbus 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 Columbus 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, cash depositing, PCI compliance, and controlled asset records have a higher likelihood of being a liability to the County. A report of the last audit of Columbus Library was released to the public in December 2013.

Findings and Recommendations

Finding # 1 - Deposit funds were inadequately safeguarded.

Risk Level: Moderate

Utah Code Ann. § 17-36-45, "Internal Control Structure," Subsection 1.d states:

"The objectives of the internal control structure shall be to ensure: (d) adequate safeguards over access to and use of assets and records."

Funds ready for deposit were occasionally left unsecured in an unlocked safe until circumstances allowed for the funds to be deposited.

When deposit funds are not properly secured, they are at a greater risk of being lost, stolen, or diverted for personal use.

Recommendation

We recommend that deposit funds be kept in a locked safe until ready to be deposited.

Finding # 2 - The cash drawer can be opened without an electronic record of the transaction.

Risk Level: Moderate

Countywide Policy #1062, "Management of Public Funds," Section 2.4.1 states:

"Each Agency shall acquire and maintain the systems and equipment necessary for the accurate receipting, recording, accounting, and safekeeping of public money."

The Library point-of-sale system allows cashiers to open the cash drawer without an electronic record of the transaction.

When a cash drawer can be opened without recording the transaction, accurate receipting, recording, accounting, or safekeeping of public money cannot be established.

Recommendation

We recommend that transactions conducted in the point-of-sale system result in an accurate receipting, recording, and accounting of public money.

Finding # 3 - 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 # 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 who does not perform cashiering duties.

Finding # 5 - 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 still 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 Columbus Library keep a copy of the SAQ on file to show they are aware of and compliant with PCI-DSS requirements.

Finding # 6 - Meal reimbursement forms were 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."

Seven meal reimbursement forms were not signed by the Elected Official or Division/Department Director for meal purchases made with the Columbus Library 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 # 7 - 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 81 assets listed on the controlled assets inventory list, 8 were found to have outdated asset information. Additionally, computer assets were not listed.

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 # 8 - Cash over/short logs were either not signed by a supervisor or were missing.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 5.3.1.3 states:

"The MPF Form 11 [Cash Over/Short Log], for each Cashier, shall be signed by the Cashier's immediate supervisor. The MPF Form 11 and the Monthly Report of Cash Receipts shall be retained by the Agency and archived according to County Records Management guidelines."

We found that 4 out of 12 over/short logs examined were not signed by a supervisor. Additionally, 2 out of 12 logs were missing for the months of January and March of 2014.

When over/short logs are missing or are not signed by a supervisor as evidence of review, overages and shortages may go unnoticed and needed remediation may not occur.

Recommendation

We recommend that an over/short log be reviewed and signed by a supervisor each month.

We recommend that an over/short log be retained by the Agency and archived according to County Records Management guidelines.

Finding # 9 - Internal controls over payments received through the mail were not adequate.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 3.1.5 states:

"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."

A previous audit conducted in 2013 found that internal controls over payments received in the mail were not adequate. A retest showed that internal controls continue to be inadequate. We observed that only one employee opened the mail, checks received by mail were not recorded in a log, and the same employee who received payments through the mail also processed the transactions.

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

Recommendation

We recommend that the duties of posting and receiving payments be separated, the mail be opened in the presence of two persons, and recorded on a check log, or otherwise documented.

Additional Information

Background

Columbus Library is located at 2530 South 500 East inside the Columbus Community Center. In addition to the library, the Community Center houses a Parks and Recreation center, complete with gym, and a senior Citizens Center. The library offers a variety of programs and library materials including books, DVDs, music CDs, and audio books. Their building has 17 computers with internet access and word processing capabilities, as well as high speed wireless access. The Columbus Library successfully accomplishes the mission of Salt Lake County Library services by making a positive difference in the lives of customers by responsibly 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
- Accounts Receivable
- Accounts Payable
- Third Party Contracts

Our examination period covered up to twelve months ending March 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"

May 15, 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 Columbus Library

Dear Mr. Hawkins:

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

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



James D. Cooper
Director

JAMES D. COOPER
LIBRARY DIRECTOR
jimcooper@slcolibrary.org

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ADMINISTRATION**

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**Salt Lake County Columbus 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 Columbus 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 - Deposit funds were inadequately safeguarded.

Risk Level: Moderate

Recommendation

We recommend that deposit funds be kept in a locked safe until ready to be deposited.

Management Response:

Library staff has been informed that funds must be kept in the safe until they are ready to be deposited at the bank. Only authorized staff can access the safe.

Finding # 2 - The cash drawer can be opened without an electronic record of the transaction.

Risk Level: Moderate

Recommendation

We recommend that transactions conducted in the point-of-sale system result in an accurate receipting, recording, and accounting of public money.

Management Response:

The Library's Point of Sale software has a built in feature that allows for the cash drawer to be opened without a transactions record. The Library staff has been instructed to stop using this feature. The software company has been notified and a fix is expected in a future software release.

Finding # 3 - 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:

The Library staff is cross-trained in different areas of library operations to better utilize their time and to provide better customer service. It would not be cost-effective for the Library to assign a dedicated cashier to each cash register due to low volume and low monetary value of transactions. Library Management will look into the practicability of implementing a mid-day cash count which would help in establishing cashier accountability.

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

Risk Level: Moderate

Recommendation:

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

Management Response:

Utmost effort is made to separate closing cashiers from the opening responsibilities or preparing deposits. However, due to limited staffing resources and scheduling conflicts this is not always feasible. Preparing deposits is primarily the responsibility of the Library Circulation Supervisor.. The Library believes that sufficient compensating controls are in place to mitigate any risks to public funds.

Finding # 5 – An SAQ representing Library Services' compliance with PCI-DSS 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 Columbus Library keep a copy of the SAQ on file to show they are aware of and compliant with PCI-DSS requirements.

Management Response:

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 provided PCI Awareness training to Library staff that handles credit card payments; training is expected to begin in June 2014.

Finding # 6 – Meal reimbursement forms were 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 Manger who has been designated by the Library Director to approve all meal reimbursement requests. The Purchasing Card paperwork along with the Meals Reimbursement Form is sent to the Fiscal Manager after the close of the billing cycle. The Fiscal Manager then reviews and signs the forms. Beginning June 2014, purchasing card holders will be scanning purchasing card paperwork to Fiscal Staff for review and approval so required signatures would have already been obtained.

Finding # 7 – Controlled asset records were not maintained.

Risk Level: Low

Recommendation

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

Management Response:

The Library Manager is currently updating their controlled asset inventory. The majority of the Columbus computer assets have a shared use, therefore cannot be assigned to individual employees. The Library Technology department maintains an inventory of computer assets for all of Library Services and is easily accessible when needed.

Finding # 8 – Cash over/short logs were either not signed by a supervisor or were missing.

Risk Level: Low

Recommendation

We recommend that an over/short log be reviewed and signed by a supervisor each month.

We recommend that an over/short log be retained by the Agency and archived according to County Records Management guidelines.

Management Response: *The Circulation Supervisor and the Library Manager will*

ensure the over/short logs are reviewed and signed on a monthly basis. However, Library staff and Library Fiscal department staff reviews all shortages and overages in the aggregate on a daily basis. The Library is archiving these records according to County Policy.

Finding # 9 – Internal controls over payments received through the mail were not adequate.

Risk Level: Low

Recommendation

We recommend that the duties of posting and receiving payments be separated, the mail be opened in the presence of two persons, and recorded on a check log, or otherwise documented.

Management Response:

The Library staff is now required to keep a log of checks received in the mail. We will instruct staff that mail should be opened in the presence of two persons and to include proof of credit to patron's account. The Library Management will be looking into the possibility of no longer accept checks.
