A REPORT

TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR

An Audit of the Key Controls of

Riverton Library

May 22, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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May 22, 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 Riverton Library

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Riverton 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 Riverton Library and the cooperation from Christa Warren, Kristin Allred, Karen Schuring, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Riverton 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 Todd Livingston
Deputy Auditor

cc: Jim Cooper, Library Services Director
     April Townsend, Associate Director Finance & Operations
     Christa Warren, Riverton Library Manager

Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Riverton 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 Riverton 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 over segregation of duties, cash receipting, cash depositing, PCI compliance, and purchasing cards have a higher likelihood of being a liability to the County. A report of the last audit of the Riverton Library was released to the public in May 2013.

Findings and Recommendations

Finding # 1 - 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 # 2 - 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 # 3 - 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 all transactions conducted on the point-of-sale system create an accurate receipting, recording, and accounting of public money.

Finding # 4 - The purchasing card was not immediately signed by the Cardholder.

Risk Level: Low

Countywide Policy #7035, "Purchasing Cards Authorization and Use," Section 2.1 states:

"Immediately, upon receipt of the P-Card, it shall be signed by the Cardholder."

During purchasing card review, it was noted that the purchasing card was not signed on the back by the Cardholder.

When a purchasing card is not signed, the cardholder cannot be easily verified by a vendor when making transactions.

Recommendation

We recommend that the cardholder immediately sign the back of the purchasing card.

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 Riverton Library keep a copy of the SAQ on file to show they are aware of and compliant with PCI-DSS requirements.

Finding # 6 - Deposits were not always made in a timely manner.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 4.1.2 states:

"As required by § 51-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practicable, but no later than three days after receipt."

We found that 14 of the 30 deposits reviewed were deposited more than three days after receipt of collections.

When funds are not deposited on a timely basis, they are more susceptible to loss or theft. In addition, interest is lost that would otherwise be accrued.

Recommendation

We recommend that funds be deposited on the same day, whenever practicable, but no later than three days after receipt.

Additional Information

Background

The Riverton Library is located at 12877 South 1830 West in Riverton, Utah. The library has served Salt Lake County residents since opening April 17, 1999. The 14,000 square foot library offers a variety of programs including story time for children, family movie night, book discussion groups for all ages, and other amenities including Wi-Fi access, books, DVDs, music CDs, audio books, as well as a Spanish collection. An auditorium with a 40 person capacity is available for use as well as 18 computers with internet, Microsoft Office and Printing capabilities. The Riverton Library successfully accomplishes the mission of Salt Lake County Library services by making 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
- Accounts Receivable
- Accounts Payable
- Third Party Contracts

Our examination period covered up to twelve months ending April 25, 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.

May 20, 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 Riverton Library

Dear Mr. Hawkins:

This letter is in response to the audit report for Salt Lake County Riverton
Library. We'd like to thank 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 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

Salt Lake County Riverton 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 Riverton 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 – 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 and Assistant Supervisor. The library believes that sufficient compensating controls are in place to mitigate any risks to public funds.

Finding # 2 - 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. The Library Management will look into the practicability of implementing a mid-day cash count which would help in establishing cashier accountability.

Finding # 3 - The cash drawer can be opened without an electronic record of the transaction.

Risk Level: Moderate

Recommendation

We recommend that transactions conducted on the point-of-sale system create 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 # 4 – The purchasing card was not immediately signed by the Cardholder.

Risk Level: Low

Recommendation:
We recommend that the cardholder immediately sign the back of the purchasing card.

Management Response:
We will ensure that all Library purchasing card holders sign their card immediately upon receipt.

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 – Deposits were not always made in a timely manner.

Risk Level: Low

Recommendation:
We recommend that funds be deposited on the same day, whenever practicable, but no later than three days after receipt.

Management Response:
The Library makes every effort to deposit funds within the time allowed by the Utah Code. As a

Appendix A

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result of recommendations from previous audits, Salt Lake County Library started a pilot project consisting of 8 libraries of which Library Administration participated. This pilot project required each location be responsible for making their own bank deposit on a daily basis. As of May 15, 2014 this practice was implemented system-wide so now all deposits will be made within 3 days of receiving funds.