



## SALT LAKE COUNTY AUDITOR'S OFFICE

**SEAN THOMAS**  
*Auditor*

September 13, 2006

James D. Cooper, Director  
Salt Lake County Library System  
Whitmore Library  
2197 Ft. Union Blvd.  
Salt Lake City, UT 84121-3188

Re: South Jordan Library Audit

Dear Jim:

We recently completed an unannounced count of the change fund at the South Jordan Library. We also reviewed cash receipting and depositing, and capital and controlled asset management. Our audit criteria included guidelines for cash handling and depositing found in Countywide Policy #1062, "Management of Public Funds," and standards for managing capital and controlled assets found in Countywide Policy #1125, "Safeguarding Property/Assets." We noted several positive control activities in place at the time of our audit, including:

- Deposits were orderly and well documented.
- Checks were restrictively endorsed and driver's license numbers had been recorded on the face of checks.
- All voided transactions reviewed were approved by a second party and were documented with a Library void form.
- During our unannounced count, funds in the register balanced to the change fund amount and register report of collections.
- Refunds were no longer given out of daily cash collections.
- Controlled asset lists included the make, bar coded asset tag and serial number of the asset. The asset's recorded location was generally accurate and all assets listed were located.
- Library staff was open to suggestions, professional, responsive and helpful.

Not all areas of the Library's operations were reviewed, including book and media inventory, purchasing, and accounts receivable. In addition, our review of deposits was done on a sample basis. Therefore, problems may have occurred in deposits that were not selected for review. Some findings were discussed with Library personnel at the time of our audit and have not been included in this letter. More significant findings and recommendations are included below and have been divided into two sections: 1) Cash Receipting and Depositing, and 2) Capital and Controlled Assets.

## **CASH RECEIPTING AND DEPOSITING**

The Library collects revenue for fines and fees resulting from late, lost or damaged library materials. They also conduct sales of obsolete or unwanted library materials, and they sell supplies, such as floppy disks and book bags. Copying and printing charges are also collected.

South Jordan Library moved into a newly constructed building in 2005. The Library was closed from July through early October 2005, during the transition to the new building. We therefore expanded the typical time frame for a random sample of deposits from a one year period to include the months of May 2005 through July 2006, excluding the months when the Library was closed. We randomly selected 37 deposits from that time period for our review.

Deposits examined included \$8,030 in cash, \$2,665 in checks and \$3,852 in credit cards, for total collections of \$14,547. The average deposit totaled \$393. Cash and check overages and shortages ranged from a low of \$7.07 short to a high of \$9.25 over. An overage or shortage occurred on 27 of the 37 days examined. For 21 days, the cash or check variance was less than \$3.00. Credit card amounts exceeded the amount collected per the register for two days, by \$9.00 and \$20.00. On those days the patron's credit card was charged but the amount was not rung into the cash register. Prior to December 2005, the Library did not accept credit cards, so the credit card variances may be attributable to the transition and subsequent learning process. The following section includes our findings and recommendations in the area of cash receipting and depositing.

- **The computer record of patron collections was not always reconciled to amounts collected per the register.**
- **Controls over the removal of obsolete or unwanted Library materials from inventory could be strengthened.**
- **Ninety-eight percent of all waiver forms were approved by a second party.**
- **The majority of the South Jordan Library's fine and fee waivers were for the return of missing items.**
- **The sequence of adjustment forms was not tracked.**
- **Eighty-seven percent of "no-sale" transactions examined were not initialed.**

**The computer record of patron collections was not always reconciled to amounts collected per the register.** At the end of the day, Library personnel print a summary report of fines and fees paid, along with other revenues, per the cash register. Cash collected is then compared to the amount reported and an overage or shortage amount is computed. Patron records containing fines and fees paid or amounts waived

are maintained in a separate, computerized system. No summary report of fines and fees paid per the computerized patron record is utilized at the branch level. Therefore, daily cash collected is not compared to the amounts entered into the patron's record. This lack of reconciliation is not unique to South Jordan Library and occurs throughout the Library System.

Policy #1062, Section 2.3.1, states, "...each agency shall acquire and maintain the systems and equipment necessary for the accurate receipting, recording, accounting and safekeeping of public money." The current lack of systems integration represents a control weakness, in that payments made on the patron record and *not* entered into the cash register could have occurred and *remained undetected*. There is also no computerized summary report of amounts waived that is compared to amounts waived per Library adjustment forms.

The Auditor's Office recommended integration of cashiering and cataloging systems in an Audit report dated August 1998. Since that time Library management has pursued solutions that would mitigate the risk involved and comply with the recommendation.

A report that provides a total of fine and fee collections per the computer system was developed. This report is reconciled against register collections by the Library's Accountant, who selects one day per week for review. A cover memo created by the Accountant for the reconciliation report dated August 17, 2006, using July 3<sup>rd</sup>, 11<sup>th</sup>, 19<sup>th</sup> and 27<sup>th</sup> as sample dates, found that, "*Per this report 38% of the time more money is reported collected [per patron records] than in the cash registers, 30% of the time they are equal and 32% of the time more money is reported in the cash registers than in [patron records].*" For South Jordan Library, a total of fines and fees per the computer records for July 3<sup>rd</sup> was not available due to computer malfunction. The differences between the patron record and register totals for the other days sampled can be seen in Table 1, below.

### **South Jordan Library Fine and Fee Cash Receipts**

*Per Reconciliation Report Prepared by the Library Accountant, dated August 17, 2006*

<b>Date</b>	<b>Amount per Patron Records</b>	<b>Amount per Register</b>	<b>Difference</b>
July 11, 2006	\$333.05	\$395.33	\$62.28
July 19, 2006	\$430.84	\$421.84	\$(9.00)
July 27, 2006	\$299.90	\$280.10	\$(19.80)

**Table 1.** *South Jordan Library's fines and fees collected per computerized records did not reconcile to amounts collected per the register on the days sampled.*

The memo concludes, "*Continue to remind your staff to enter all transactions into the cash register and into the patron record.*" Currently, this report is

communicated to the Library Director, the Fiscal Manager and Associate Directors. Branch managers do not receive a copy of the report.

The Library has also been in ongoing discussions with their current software vendor regarding the development of an integrated system. Recently, a second vendor has formed a strategic partnership with the current vendor to provide integrated cash receipting functionality. The Library reports that a request for proposal has been developed to acquire such a system. Currently, the proposal is under the review of the Information Technology Review Committee. We support the Library in the proposed acquisition and commend their efforts to eliminate the risk associated with separate cash receipting and patron record systems.

#### **RECOMMENDATIONS:**

- 1. We recommend that the Library continue to pursue an integrated cashiering and patron record system.*
- 2. We recommend that the current reconciliation of sample days be expanded to a more comprehensive and widely communicated basis.*

**Controls over the removal of obsolete or unwanted Library materials from inventory could be strengthened.** Librarians assigned to various collections within the Library periodically select materials to be sold or discarded. Materials may be selected due to outdated information, low demand, excess copies, or damage. The Librarian pulls the item from shelf. Materials are then deleted from the cataloging system by members of Library staff and made available for purchase by the general public. South Jordan Library has materials for sale on an ongoing basis. In addition, a larger book sale combining materials from several Libraries is periodically conducted. According to the Library's Fiscal Manager, system wide revenue from book sales totaled approximately \$80,000 through July 2006.

Separation of duties over the process of selecting and deleting books is a positive internal control procedure. However, there is no report or other documentation of items actually deleted that is reviewed by the Librarians. According a Library Information Services employee, the software used by the Library does contain a record of materials that were deleted. The Library should explore the feasibility of utilizing this data to generate reports of materials deleted that could then be reviewed and signed off on. Data could also be compared to the volume of revenue collected as a reasonableness check.

#### **RECOMMENDATION:**

*We recommend that the Library explore the development of reports listing materials removed from inventory that could be reviewed and signed off on.*

**The majority of the South Jordan Library’s fine and fee waivers were for the return of missing items.** Library personnel must fill out a waiver form in order to waive a patron’s fine. The waiver form is pre-numbered and includes the name of the library, the patron’s library card number, the amount being waived, the person authorizing and the person approving the waiver. The form lists the following reasons for waivers: 1) Library/ Computer Error, 2) Previous Payment, 3) Special Conditions, 4) Special Exception, 5) Negotiated Settlement, 6) Returned “Lost” Item, 7) Returned “Missing Part,” and 8) Other. Several lines are provided for further explanation and at the bottom of the form is a place for the patron’s signature. The form has two parts, the Library retains the top, white copy and the patron receives the yellow, carbon copy.

Within the sample of deposits a total of \$2,994 in fines and fees were waived and were documented on 249 waiver forms. The largest proportion of dollars, 37 percent, was waived due to the patron returning the “lost item” or “missing part.” This circumstance was followed by “Library error,” with 24 percent of the total dollar amount. Library errors included the item being found on the shelf and patrons who believed that their due date had been extended when it had not. Five of the forms had no reason checked. The breakdown of waiver forms by type can be seen in Table 2, below.

**Sampled Fine and Fee Waiver Forms**

	Quantity	% of Quantity	\$ Amount	% of \$ Amount
1. Library Error	92	36.9%	\$713.98	23.9%
2. Previous Pmt	0	0.0%	\$0.00	0.0%
3. Spec. Condition	2	0.8%	\$31.70	1.1%
4. Spec. Exception	6	2.4%	\$129.80	4.3%
5. Negotiated Settlement	29	11.6%	\$303.25	10.1%
6. Returned Lost Item	20	8.0%	\$296.60	9.9%
7. Returned Missing Part	79	31.7%	\$816.33	27.3%
8. Other	16	6.4%	\$473.93	15.8%
No reason checked	5	2.0%	\$227.99	7.6%
	<b>249</b>	<b>100%</b>	<b>\$2,993.58</b>	<b>100.0%</b>

**Table 2.** *The majority of fines and fees were waived due to the return of missing materials.*

The amount waived per day averaged \$80.91. The fact that the majority of fine and fee waivers were completed due to returned items is a positive statement about Library collection activities.

**The sequence of adjustment forms was not tracked.** In 14 of the 37 days sampled, gaps were noted in the sequence of the pre-numbered fine and fee waiver forms. In some cases one or two numbers within a sequence were missing. In other cases large gaps occurred. It appeared that for some dates, two adjustment form booklets were in use; some of the numbers skipped on one day were found with waiver forms completed on a subsequent one.

It is all the more important to track the sequence of the forms because there is no report of amounts waived generated by the computerized patron record. Tracking the sequence of forms will provide more assurance that all waivers are retained and submitted for approval. Where mistakes are made on a form, the form should be retained, marked "void," and kept with the numerical sequence attached to the deposit documentation.

**RECOMMENDATION:**

*We recommend that the Library track the sequence of fine and fee waiver forms and that voided forms be retained.*

**Ninety-eight percent of all waiver forms were approved by a second party.** Out of the 249 forms examined, only six, or 2 percent, did not have approving initials or an approving signature. Fifty-seven, or 23 percent, were not signed by the customer. However, in all but two cases where the patron did not sign the form, Library personnel included a brief explanation for the absent signature, such as a transaction completed by "phone." Other explanations included, "customer left," "not present," and "n/a." Table 3, below, indicates the number of waiver forms that were properly approved.

**Sampled Fine and Fee Waiver Forms:  
Approvals and Customer Signatures**

	Yes	% Yes	No	% No	Total
<b>"Authorized by" line was initialed</b>	248	99.6%	1	0.4%	249
<b>"Approved by" line was initialed</b>	243	97.6%	6	2.4%	249
<b>Customer signature was present</b>	192	77.1%	57	22.9%	249
<b>"Customer" line was empty</b>	1	0%	248	99.9%	249

**Table 3.** *South Jordan Library obtained the proper approval for 98 percent of waiver forms examined in our sample.*

Our sample reflected improvement over our previous audit of South Jordan Library dated October 2003. At that time, 14 percent of waiver forms had no approval initials or signature and 12.8 percent of the waiver forms had no entry on the "customer" or patron line. We commend South Jordan Library for their improvement.

**RECOMMENDATION:**

*We recommend that South Jordan continue their efforts toward supervisory approval of all fine and fee waive forms, if possible.*

**Eighty-seven percent of “no-sale” transactions examined were not initialed.** Within our sample of deposits, we observed 165 “no-sale” transactions, roughly four per day. “No-sales” occur when the cash register is opened without completing a sale or issuing a receipt. For instance, a patron may request change, so the cashier may open the drawer and provide the patron four quarters in exchange for one dollar. Eighty-seven percent of the “no-sale” transactions examined were not initialed. Eighty-six percent were not documented with a brief explanation.

The Salt Lake County Library System, “Cash Handling Procedures,” Section 5.0, states, “*No Sales’ are discouraged. Change should not be made from the cash register unless absolutely necessary... When it is necessary to make change from the cash register using ‘No Sale’ write a brief explanation of why the ‘No Sale’ was done.*” When “no sales” are not documented and monitored, cashiers can more easily access, and possibly misappropriate, funds.

According to the circulation supervisor, Library personnel were instructed to initial the internal register tape when completing a no-sale. We found that the receipt printed by the register is physically easier to access than the internal register tape. Therefore, greater compliance with policy may be achieved by requiring cashiers to retain the external “no sale” receipt generated by the register. Cashiers should record a brief explanation for the “no sale” on the printed receipt. The register summary report indicates the number of “no sales” completed each day. The person preparing the deposit should ensure that all “no sale” receipts are retained with the deposit and have been documented with a brief explanation.

#### **RECOMMENDATIONS:**

- 1. We recommend that “no sale” receipts be retained and that a brief explanation be recorded on the receipt.*
- 2. We recommend that “no sale” receipts be kept with the day’s deposit documentation, and that the person preparing the deposit ensure that the number of “no sale” receipts matches the number on the register’s summary report.*

#### **CAPITAL AND CONTROLLED ASSETS**

A capital asset is an item of real or personal property owned by the County which meets the criteria for capitalization, has a cost of \$5,000 or more and an estimated life expectancy of more than one year. A controlled asset is a personal property item, which is sensitive to conversion to personal use and has a cost of \$100 to \$4,999. Controlled assets are not tracked centrally by the Auditor’s Office as capital assets are. We reviewed controlled asset management practices for compliance with provisions in Countywide Policy #1125, “Safeguarding Property/Assets.”

There were no “moveable” fixed assets listed on Auditor’s Office records as being at the South Jordan Library. The Library maintained three controlled asset lists. Non-computer related assets were tracked by the branch manager. This list contained 19 assets, not including furniture. Computer-related assets were tracked by a Library Information Services employee and contained 134 assets. Two vacuums at South Jordan Library were tracked on a list maintained by Library Facilities Management. Both the computer and non-computer related asset lists included the bar coded asset tag, make, and serial number of each asset. The list of maintenance equipment contained the same information, with the exception of a bar coded asset tag number.

We performed a full inventory of the Library’s assets and were able to locate 100 percent of the assets listed. In addition, the asset’s recorded location was generally accurate. Our finding regarding management of controlled assets follows.

**Five assets were found that had not been listed on the controlled asset reports for South Jordan.** As we conducted our inventory of South Jordan’s controlled assets, we noted assets that were not listed on the reports provided for our audit. A wireless router and a full-size refrigerator had not been included on South Jordan’s controlled asset list and had no asset tag attached. We also noted a thin client computer, a CPU and a receipt printer with bar coded asset tags affixed that were not listed.

Policy #1125, Sections 2.2 and 2.2.3, state, “...*Property Managers assigned by their Administrators are responsible for the following...Maintain records as to the current physical location of all fixed assets and all controlled assets within the organization’s operational and/or physical custody.*” Assets are easy targets for conversion to personal use if they are not included on the controlled asset list or if they are listed at the wrong location.

We discussed the refrigerator with the Library’s Accountant. He indicated that there was some inconsistency among the branch managers regarding the tagging and listing of refrigerators. Some managers do not tag refrigerators because they are not easily susceptible to theft. The Accountant indicated, however, that the refrigerator in question would be tagged.

The Library’s information services employee in charge of South Jordan’s computer related assets indicated that the three tagged items noted were replacements that were listed as being in general inventory at the Whitmore Library. The information services employee indicated that the location of the assets would now be updated to South Jordan Library. He also indicated that the controlled asset list would be updated to include the router and that it would be tagged.



James D. Cooper, Director  
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**RECOMMENDATIONS:**

- 1. We recommend that the location of the three assets listed as being in general inventory at Whitmore Library be changed to South Jordan Library.*
- 2. We recommend that the wireless router and refrigerator be tagged and added to the appropriate controlled asset list.*

In closing, we would like to express our appreciation to the staff at South Jordan Library for their cooperation and timely assistance. We are confident that our work will be of benefit to you and help you strengthen internal controls. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

James B. Wightman, CPA  
Director of Internal Audit

cc: Jean Nielsen  
Kelly Colopy  
Mike Stoker  
Dina Wyatt