
A Report to the
Citizens of Salt Lake County
The County Mayor and the
County Council

An Audit of Key
Controls at the
Calvin Smith Library



OFFICE OF THE
SALT LAKE COUNTY
AUDITOR

SCOTT TINGLEY
COUNTY AUDITOR

April 2018
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To foster informed decision making, strengthen the internal control environment, and improve operational efficiency and effectiveness for Salt Lake County, through independent and objective audits, analysis, communication, and training.



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An Audit of Key Controls at the
Calvin S. Smith Library

We recently completed an audit of key controls at the Calvin S. Smith Library ("Calvin Smith"). The purpose of the audit was to examine financial records and business processes at Calvin Smith to determine if critical internal controls related to cash receipting and depositing, management of capital and controlled assets, purchasing cards, and other public funds were properly implemented and functioning as intended to help reduce the risk of loss, theft, or misuse of county assets. Calvin Smith is one of 19 libraries in the Salt Lake County Library System. It is historically significant in that it is one of the oldest library facilities, built in 1956.

Our work was designed to provide reasonable, but not absolute assurance, that the system of internal controls was adequate, records current, and daily transactions valid. Since our audit included only a sample of items from the period examined, there is a risk that we would not have discovered problems related to assets or transactions not specifically selected for review.

Audit criteria included the Library Services Division's own internal policies and procedures, as well as countywide policies such as Countywide Policy 1203, "*Petty Cash and Other Imprest Funds*," Countywide Policy 1062, "*Management of Public Funds*," Countywide Policy 1125, "*Safeguarding Property/Assets*," and Countywide Policy 7035, "*Purchasing Card Authorization and Use*."

By its nature, this report focuses on issues, exceptions, findings, and recommendations for improvement. The focus should not be understood to mean that we did not find various strengths and accomplishments. We truly appreciate the time and efforts of the employees of Calvin. Smith throughout the audit. Our work was made possible by their cooperation and prompt attention given to our requests.

Scope and Methodology

Our audit covered the period from January 1, 2017 through December 31, 2017. Our audit work included a formal examination of financial records and business transactions related to the following operational areas:

- Petty Cash and Change Funds
- Cash Receipts and Daily Deposits
- Capital and Controlled Assets
- Purchasing Cards

Throughout our review we examined cash handling and daily deposits, monthly account reconciliations, interviewed employees, physically examined capital and controlled assets, performed a count of petty cash, examined purchasing card (“p-card”) receipts and documentation.

Audit Results

Petty Cash and Change Funds

Audit Objectives:

- Determine if the petty cash fund was intact and maintained at the authorized amount.
- Determine if petty cash disbursements were appropriate for the intended use of petty cash funds and complied with county policies.
- Determine if the change fund is maintained at its authorized amount.
- Determine if the change fund is properly safeguarded against loss, theft, or misuse.

The authorized amount of Calvin Smith’s change fund is \$120. The change fund is used by cashiers to make change for customers and library patrons when paying for materials, services, or fines. Management distributes portions of the change fund to the copier machine and computer printer stations.

We performed a surprise count of the total cash receipts in the cash register and deducted the total cash collections according to the daily cash transaction record. We found that the cash register change fund balanced to the correct amount. However, when we counted the change funds in the copier and the computer printer stations, we found that they were short of the amount that should have been in the coin repositories.

In accordance with Countywide Policy 1062, *“Management of Public Funds,”* Calvin Smith maintains a log for employees to sign when they retrieve the change fund from and return it to the safe each day. We also verified that Calvin Smith has no petty cash fund.

Our audit finding and recommendation in the area of petty cash and change funds was as follows:

Finding 1.1: Change funds in the computer printer stations and the copier were short of their authorized amounts.

We counted the change funds in both the copier and computer printer stations. We found that the coin repositories were short of the amount that should have been there by nearly \$5. Calvin Smith apportions part of its total change fund amount to each of these stations. The stations are automated, and the machines allow library patrons to scan, fax, or copy materials at the copier machine, and make paper printouts from the bank of computers that are available for them to use.

Countywide Policy 1203, *"Petty Cash and Other Imprest Funds,"* states:

"[Fund] Custodians are directly responsible for their Imprest Funds [change fund being one example of an imprest fund] and are accountable and may be held liable for maintaining the authorized imprest amount, and for operating the fund in compliance with this policy." (CWP 1203, 4.1.1, p. 5)

Management at Calvin Smith were aware of the shortages in both the copier and the computer printer stations. They stated that they thought that the machines give back too much or too little change to customers, thereby creating an incorrect accounting of collections that library employees remove from the machines for the bank deposit. Library employees stated that they consistently discover these discrepancies each month when they extract and count all coins in the machine change funds and prepare the deposit of copier and computer print stations cash receipts.

We noted that the process that Calvin Smith was using to balance the cash collections from both the copier and computer printer stations was incorrect and in fact perpetuating the change fund over/short issue. MPF Form 3A, *"Cash Balance Sheet,"* outlines the correct procedure for balancing cash collections, consistent with Countywide Policy 1062.

According to county policy and MPF Form 3A, the total amount of cash (currency and coins) should be counted and summed, then the beginning change fund balance, in this case the total amount of funds allocated to the copier and the computer printer stations, is then deducted from the total cash to ensure that the change fund is maintained at its authorized amount. The remaining cash total is then compared to the report of cash transactions and prepared for deposit. Any deposit overages or shortages are then recorded in accordance with Countywide Policy 1062.

We found that employees at Calvin Smith were simply counting out the cash that was reported on the report of cash transactions from the copier and computer printer stations, and not deducting the change fund amounts from the total cash collections as outlined in Countywide Policy 1062. This process created deposits of cash collections from the machines that were not consistent with the actual cash and change fund totals that were in the cash and coin repositories.

Any deposit overages or shortages that were discovered were left to perpetuate in the copier and computer printer stations change fund balances. We recommend that Calvin Smith employees follow the correct procedures outlined in Countywide Policy 1062, when they are balancing cash collections from the copier and computer printer stations. Any deposit shortages or overages should be recorded in accordance with county policy.

Recommendation 1.1:

We recommend that Calvin Smith employees follow the correct procedures outlined in Countywide Policy 1062, when they are balancing cash collections from the copier and computer printer stations. Any deposit shortages or overages should be recorded in accordance with county policy.

Cash Receipts and Daily Deposits

Audit Objectives:

- Determine if cash handling and daily deposit procedures comply with Countywide Policy.
- Determine if daily cash collections and deposits are properly safeguarded against theft or misuse.
- Determine if there are adequate segregation of duties between the cash receipting and depositing functions.

Our audit examined whether daily collections, cash handling, and depositing procedures at Calvin Smith complied with Countywide Policy 1062, *“Management of Public Funds.”* Based on a judgmental sample, we selected 30 bank deposits in 2017 and examined supporting documentation, including the deposit slip and report of collections from the cash register, or the Daily Cash Collections Form. Cashiers enter their drawer counts into the point-of-sale system, which automatically compares the count to recorded totals to thereby produce a record of any overage or shortage. We examined overages and shortages to determine that they were recorded on the over/short log. We also examined bank statements to determine that funds collected were deposited.

More than one cashier works in the cash register drawer during daily operations. As a long-standing practice, the Library pools all cash register collections for the day into one report without segregating them by individual cashiers. Therefore, each cashier did not complete a separate cash balance sheet. Most collections are for library fees on past-due books, but also include book sales and use of the printer and copier, as mentioned in the previous section. Two employees and a manager signed the daily deposit documentation, the *Daily Cash Collections Form*, as evidence of review and verification.

We noted no significant findings in the area of cash handling and daily deposits.

Capital and Controlled Assets

Audit Objectives:

- Determine if capital and controlled assets are identified accurately, physically present, and accounted for properly.
- Determine if capital and controlled assets are properly safeguarded against loss, theft, or misuse.

Our audit included an examination of capital and controlled asset management at the Library. Countywide Policy 1125, *“Safeguarding Property/Assets,”* establishes the policies and procedures for the proper management of capital (long-term) and controlled assets, including procedures for accounting for, protecting, and disposing of those assets.

Countywide Policy 1125, states that a capital asset is an item with an estimated useful life of more than one year and a cost equal to or greater than the current capitalization rate, which currently is \$5,000. Capital assets are recorded in the County’s financial system and monitored by the County Mayor’s Office of Financial Administration (“Mayor’s Finance”), in addition to the agency where the asset is located. We found one capital asset in the County financial system assigned to the Library, a security gate that chimes if patrons leave without checking out their books at the circulation counter.

We reviewed a sample of 50 controlled assets, including 13 each of computers and monitors. As opposed to a capital asset, Countywide Policy 1125, defines a controlled asset as an item of personal property having a cost of \$100 or greater, but less than the current capitalization rate. Due to their nature, controlled assets are more susceptible to theft, or conversion to personal use than capital assets.

The property manager at each County agency has the responsibility to account for all controlled assets within the organization’s operational and physical custody. Countywide Policy 1125 also defines an employee’s duties and responsibilities when capital (long-term) or controlled assets are provided for their use.

We noted no significant findings in the area of capital and controlled assets.

Purchasing Cards

Audit Objectives:

- Determine if purchasing card purchases are appropriate and comply with countywide policies.
- Determine if purchasing cards are adequately safeguarded against loss, theft, or misuse.
- Determine if purchasing card transactions are reviewed and authorized by management properly.

As part of this audit, we reviewed Calvin Smith's purchasing card ("p-card") purchases. Countywide Policy 7035, *"Purchasing Cards Authorization and Use,"* establishes guidelines for the proper use and acquisition of p-cards, including ensuring adequate segregation of duties, allowable and unallowable purchases, establishing credit limits, record keeping and reconciliations, and what to do if a p-card is lost or stolen.

We noted that Calvin Smith had issued p-cards to three employees, and that there was a total of 73 p-card transactions in 2017. We reviewed receipts or invoices and supervisor approval for all 73 p-card transactions. We found that all transactions had final approval as shown in bank records, and we found supporting receipts or invoices for all but one transaction for \$19. In reviewing the transaction, and the relatively low volume of transactions throughout the year, we did not see any need for concern or additional audit work.

We noted no significant findings in the area of purchasing cards.

Conclusion

We appreciate the time spent by the staff at the Calvin S. Smith Library answering our questions, gathering the necessary documentation and records, and allowing us access to the Library during our audit. The Library staff were friendly, courteous, and very helpful throughout the audit process. We trust that implementation of the recommendation will provide for more efficient operations and better safeguarding of County assets. Please feel free to contact our office if you have any further questions.

Cc: James Cooper, Director, Salt Lake County Library Services Division
Leslie Workman, Fiscal Manager
Sara Wever, Calvin Smith Library Manager

Attachment A: Agency Response

Attachment A: Agency Response

| Agency Response Calvin S. Smith Library | | | |
|--|--------------------|--|-------------|
| Finding 1.1: Change funds in computer printer and copier stations were short of their authorized amounts. | | | |
| RECOMMENDATION(S) | AGREE/ DISAGREE | ACTION PLAN | TARGET DATE |
| <p><i>We recommend that Calvin Smith employees follow the correct procedures outlined in Countywide Policy 1062, when they are balancing cash collections from the copier and computer printer stations. Any deposit shortages or overages should be recorded in accordance with county policy.</i></p> | Agree | <p>We have known of this issue and we are working with our vendor to resolve this issue.</p> | Unknown |