

AUDIT REPORT

An Audit of the Salt Lake County West Jordan Library and Viridian Event Center

JUNE 2023



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County Auditor

Office of the Auditor
Salt Lake County

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AUDITOR'S LETTER

June 22, 2023

We audited the Salt Lake County West Jordan Library and Viridian Event Center to provide reasonable assurance that cash receipts and receivables are recorded and reported accurately, processes and procedures are in place to ensure compliance with all applicable policies and standards, and that management provides adequate fiscal oversight to safeguard funds against fraud, waste, or abuse. I now present the results of this audit.

The audit was conducted based on the Countywide Policy ("CWP") 1062 Management of Public Funds, which establishes procedures for receiving, recording, depositing, and distributing public funds. The policy emphasizes clear segregation of duties, safeguarding and accountability for receipt, deposit, transmittal, and disbursement of funds, and the separation of duties of opening mail and summarizing the daily receipt of checks from posting payments.

The audit concluded that deposits were well supported by adequate documentation, and separation of duties were in place. However, one instance of non-compliance with Salt Lake County Policy at the West Jordan Library was found, specifically, not always maintaining an over/short log. This non-compliance increases the risk of undetected errors and omissions. However, due to the materiality of collections, these are not expected to result in material financial loss to the County.

In light of the finding, we recommend that management maintain an over/short log to track discrepancies in compliance with Countywide Policy. This will help identify instances and patterns of cash variances that could be caused by human error or misappropriation of funds.

By implementing our recommendation management can mitigate risk and provide assurance to county residents, that fiduciary responsibilities are performed.

This audit is authorized pursuant to the State of Utah Code, Title 17, Counties, Chapter 19a, County Auditor Section 204, "Auditing Services." We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We appreciate the leaders and team members at West Jordan Library and Viridian Event Center who shared their time and knowledge with us during the audit. Please contact me at 385-468-7200 with any questions.

A handwritten signature in black ink that reads "Chris Harding".

Chris Harding, CPA, CFE, CIA
Salt Lake County Auditor

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WEST JORDAN LIBRARY and VIRIDIAN EVENT CENTER

JUNE 2023

Objectives

The audit objectives were to examine business processes, established controls, and financial transactions at the West Jordan Library and Viridian Event Center to provide reasonable assurance that:

- Cash receipts and receivables are recorded and reported accurately and completely, and free from significant error.
- Processes and procedures are in place to ensure that cash receipts and receivables are handled in accordance with all applicable policies and standards.
- Management provides adequate fiscal oversight to ensure that funds are properly safeguarded against fraud, waste, or abuse.

REPORT HIGHLIGHTS

An over/short log was not always maintained.

Countywide Policy 1062, Management of Public Funds, Section III.H.2, states, "Change Funds should be counted, restored to the established imprest balance, and any daily Shortages or Overages recognized and recorded on MPF Form 3A, Cash Balance Sheet, and on MPF Form 11, Cash Over/Short Log. These forms shall be retained by the County Agency in accordance with County records retention guidelines. Copies of these forms are attached as appendices."



Finding Risk Classifications

Classification	Description
<p>1 – Low Risk Finding</p>	<p>Low risk findings may not have an effect on providing reasonable assurance that County funds and assets were protected from fraud, waste, and abuse.</p> <p>Recommendations may or may not be given to address the issues identified in the final audit report. If recommendations are given, management should try to implement the recommendations within one year of the final audit report date if possible. Follow-up audits may or may not focus on the status of implementation.</p>
<p>2 – Moderate Risk Finding</p>	<p>Moderate risk findings may have an effect on whether there is reasonable assurance that County funds and assets were protected from fraud, waste, and abuse.</p> <p>Recommendations will be given to address the issues identified in the final audit report. Management should implement the recommendations within one year of the final audit report date if possible. Follow-up audits will focus on the status of implementation.</p>
<p>3 – Significant Risk Finding</p>	<p>Significant risks are the result of one or more findings that may have an effect on whether there is reasonable assurance that County funds and assets were protected from fraud, waste, and abuse.</p> <p>Recommendations will include necessary corrective actions that address the significant risks identified in the final audit report. Management should implement the recommendations within six months of the final audit report date if possible. Follow-up audits will focus on the status of implementation.</p>
<p>4 – Critical Risk Finding</p>	<p>Critical risks are the result of one or more findings that would have an effect on whether there is reasonable assurance that County funds and assets were protected from fraud, waste, and abuse.</p> <p>Recommendations will include necessary corrective actions that address the critical risks identified in the final audit report. Management should implement the recommendations as soon as possible. Follow-up audits will focus on the status of implementation.</p>

BACKGROUND

The Salt Lake County Auditor's Audit Services Division completed an audit of the Salt Lake County West Jordan Library and Viridian Event Center cash receipts and depositing for January 1, 2022, to December 31, 2022.

The West Jordan Library collects revenue for fines and fees resulting from late, lost, or damaged library materials. They also conduct sales of supplies, such as jump drives and book bags. Copying and printing charges are also collected. Cash collected during the audit period averaged \$43 per day.

The Salt Lake County Library Viridian Event Center is a full-service rental facility that offers a full range of staffing, space, and equipment options. Collections include rental deposits and final payments and can be made using a check or credit card. Collections for events sampled averaged \$936.

OBJECTIVES AND SCOPE

The audit objectives were to examine business processes, established controls, and financial transactions at the West Jordan Library and Viridian Event Center to provide reasonable assurance that:

- Cash receipts and receivables are recorded and reported accurately and completely, and free from significant error.
- Processes and procedures are in place to ensure that cash receipts and receivables are handled in accordance with all applicable policies and standards.
- Management provides adequate fiscal oversight to ensure that funds are properly safeguarded against fraud, waste, or abuse.

The audit was a limited-scope financial audit that focused on cash receipts. The scope of the audit period was from January 1, 2022, to December 31, 2022. Collections and receipting processes at the Viridian Event Center were included in the ongoing Countywide Audit of Deferred Revenue. Therefore, testing was limited to ensuring that funds sampled in that audit were deposited with the bank within 3 business days of collection.

AUDIT CRITERIA

Countywide Policy ("CWP") 1062 Management of Public Funds establishes procedures for receiving, recording, depositing, and distributing public funds, and to define functions and responsibilities to provide and strengthen internal controls over these procedures. The

policy's purpose is to provide effective safeguards while weighing both risks to be mitigated and costs of maintaining controls. Controls over managing public funds emphasize:

- Clear segregation of duties between persons with custody of funds and/ or those performing cashiering duties, and those having access to and maintaining accounting records related to public funds.
- Safeguarding and accountability for receipt, deposit, transmittal, and disbursement of funds, including physical security over these activities.
- The duties of opening mail and summarizing the daily receipt of checks should be separate from posting payments.

METHODOLOGY

We used several methodologies to gather and analyze information related to our audit objectives. The methodologies included but were not limited to:

1. Auditors met with agency personnel to gain an understanding of receipting and depositing procedures and agency controls in place.
2. Controls were observed in operation, such as safeguarding of funds and receipting system access controls.
3. Documents were examined, such as deposit documentation and bank statements.
4. Where appropriate statistical or judgmental sampling was used to identify transactions selected for review

CONCLUSIONS

We noted that deposits were well supported by adequate documentation and separation of duties were in place. Deposits examined were reviewed by an independent party. We found one instance of non-compliance with Salt Lake County Policy at the West Jordan Library, including:

- Not always maintaining an over/ short log.

As a result, there is an increased risk of undetected errors and omissions. Because of the materiality of collections, we would not expect these to result in material financial loss to the County.

FINDING 1 AND RECOMMENDATIONS

Not Always Maintaining an Over/Short Log

Risk Rating: **Low Risk Finding**

West Jordan Library has an authorized change fund amount of \$272, which was split among 2 cash registers and 2 coin towers. Each cash register had a change fund of \$110. The 2 coin towers were used to provide change when patrons paid for printing, copying, or scanning. The printing coin tower change fund was set at \$30, and the copier/scanner coin tower change fund was set at \$22.

Change funds in the 2 cash registers were counted daily at the beginning of each cashier's shift to verify the correct change amount. The fund was reconciled again at the end of the cashier's shift along with collections from the day's transactions. Overages and shortages were recorded on each cashier's balance sheet, which was maintained with the deposit documentation. Each deposit was reviewed and signed by a supervisor. The change funds in the 2 coin towers were counted and reconciled once a month by the Circulation Supervisor.

We found that over/ short logs were not maintained from March 2022 through September 2022. Starting in October 2022, any discrepancies from the 2 cash registers and 2 coin towers were recorded on the point of sale (POS) system's over/short log, which was generated and reviewed by the Circulation Supervisor each month.

Countywide Policy 1062, Management of Public Funds, Section III.H.2, states, " *Change Funds should be counted, restored to the established imprest balance, and any daily Shortages or Overages recognized and recorded on MPF Form 3A, Cash Balance Sheet, and on MPF Form 11, Cash Over/Short Log. These forms shall be retained by the County Agency in accordance with County records retention guidelines. Copies of these forms are attached as appendices.*"

The Fiscal Manager explained that a new POS system was implemented in March and that the over/short log was not printed from the new system until October 2022.

The over/short log helps to identify instances and patterns of cash variances that could be caused by human error or misappropriation of funds. Since the over/short amount is classified as an income, the Library's financial reports could be affected, although the amount of the variance would not be expected to be material. Overages and shortages during the audit period averaged \$.38 per drawer.

The over/short log helps to identify instances and patterns of cash variances that could be caused by human error or misappropriation of funds.

- We recommend that management maintain an over/short log to track discrepancies in compliance with Countywide Policy.

AGENCY RESPONSE: AGREE

IMPLEMENTATION DATE - OCTOBER 1, 2023

SEE PAGE 7 FOR THE AGENCY'S FULL RESPONSE TO OUR RECOMMENDATION

AGENCY RESPONSE



Jenny Wilson, Salt Lake County Mayor
Robin Chalhouh, Community Services Director
James D. Cooper, Library Director

June 20, 2023
Auditor Chris Harding, CPA
Office of the Auditor
Salt Lake County
2001 S State Street
Salt Lake City, UT 84121

Auditor Harding,

We have reviewed the West Jordan Library and Viridian Event Center audit report and our response to the recommendation is below.

RECOMMENDATION 1.1

We recommend that management maintain an over/short log to track discrepancies in compliance with Countywide Policy.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and Title of specific point of contact for implementation
Agree	October 1, 2022	Russell Snow – Fiscal Manager

We understand the need to have an over / short log at the West Jordan library as well as all library locations. On October 1, 2022, we started to maintain an over / short log and have since. The Viridian Event Center does not have a cash register, does not make change for patrons and therefore does not need an over / short log.

Respectfully,

Russell Snow
Fiscal Manger
The County Library
8030 S 1825 W
West Jordan, UT 84088