A REPORT

TO THE CITIZENS OF SALT LAKE COUNTY

BEN McADAMS, MAYOR

An Audit of the Key Controls of

Magna Library

December 31, 2013

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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December 31, 2013

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 Magna Library

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Magna 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 Magna Library and the cooperation from Trish Hull, Library Manager, Rebecca Griffin, Circulation Supervisor, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Magna 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 Scott Ball
Deputy Auditor

cc: Jim Cooper, Library Director
    Javaid Lal, Fiscal Manager
    Trish Hull, Library Manager

Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Magna 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

Magna Library has put into place several key internal controls for managing public funds, safeguarding public assets, accessing sensitive information, and payroll reporting. Most risks identified were minor and would not be expected to result in the material loss of County assets. However, security of personal identifiers transmitted over the Internet is insufficient. Also, the risks discovered dealing with software inventories and inadequate controls over receipt re-printing have a higher likelihood of leading to loss of County property.

Findings and Recommendations

Finding # 1 - Personally identifiable information was unsecure during the online library card sign-up process.

Risk Level: High

Salt Lake County Code of Ordinances Chapter 2.81 "Security of Personal Identifiers," Section 2.81.020 states:

"Each agency shall have in place a written regulation or policy which establishes procedures for the secure collection, maintenance, transmission, transfer, or disposal of personal identifiers."

When the public signs up for a library card through the Internet, the information is transmitted as plain text, which is unencrypted (non-SSL) and not secure.

When personally identifiable information is not secure, there is an increased risk of information being lost, stolen, or diverted for personal use.

Recommendation

We recommend that Library Services secure personally identifiable information transmitted during the online library card sign-up process.

Finding # 2 - Internal controls over payments received in 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."

We observed that when checks are received in the mail, the Custodian opens the checks alone and prepares them for deposit.

The Custodian stated that she was not aware of the policy requirement.

When checks received through the mail are not opened under dual control and included on a check log, there is an increased risk that funds will be lost or diverted to personal use. Lack of segregation of duties over billing or tracking and receipting payments increases this risk.

Recommendation

We recommend that the duties of posting and receiving payments be separated, and that the mail be opened in the present of two persons, or that compensating controls be adopted.

Finding # 3 - Receipts could be re-printed for prior transactions.

Risk Level: Low

Standard business practice is that cashiers should not be able to reprint receipts from prior transactions.

During the course of our review we found that receipts for prior transactions could be re-printed. The reprinted receipt was identical to the original receipt.

When receipts can be reprinted, the accuracy of transactions cannot be ensured and the risk of errors and misappropriation of funds is increased.

Recommendation

We recommend that the ability for cashiers to reprint a receipt be disabled.

Finding # 4 - Cashiers were not individually accountable for overages and shortages.

Risk Level: Low

Countywide Policy #1062 "Management of Public Funds," Section 5.3.1 states:

"All overages and shortages, regardless of the amount, should be recorded daily by each Cashier on MPF Form 11, Cash Over/Short Log."

The Magna Library cashiers did not balance their cash drawers when changing cashiers. Accountability of cash overages and shortages could not be identified to individuals.

When cash overages and shortages are not reported by each individual cashier, tracking potential problems becomes more difficult, cashier accountability decreases, and the risk of funds being lost, stolen, or diverted for personal use increases.

Recommendation

We recommend that each cashier record daily any overages or shortages on MPF Form 11.

Finding # 5 - "No sales" and "no money taken" transactions were not documented with an explanation.

Risk Level: Low

Library Agency Administrative Policy, Section 2.1.3.7.2 states:

"When it is necessary to make change from the cash register using 'No Sale' write a brief explanation on the receipt as to why it was made."

In 6 of 37 "no"sales" and "no money taken" transactions examined, an explanation was not provided on the receipt as to why the no-sale transaction was made.

When "no"sale" and "no money taken" transactions are not documented, there is an increased risk of funds being lost, stolen, or diverted for personal use.

Recommendation

We recommend that "no"sale" and "no money taken" transactions be documented with an explanation.

Finding # 6 - An SAQ representing Library Agency management's 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."

An SAQ representing Library Agency management's compliance with PCI-DSS had not been completed and was not on file.

Not completing this self-evaluating questionnaire for PCI-DSS increases the risk of fines and an inability of accepting credit cards as payments.

Recommendation

We recommend that Library Agency management complete and sign an annual SAQ and that Magna Library keep a copy of the SAQ on file to show they are aware of and compliant with PCI requirements.

Finding # 7 - No comprehensive software inventory was on file.

Risk Level: Low

Countywide Policy #1400-3 "Information Technology Security Policy: Software Licensing Policy," Section 3.5 states:

"County agency management shall maintain a current software inventory which includes at least the following: number of authorized and actual installations, license agreement, and proof of purchase. County agency management shall conduct an annual review of their software inventory. Software inventories shall be updated whenever new software is acquired and/or installed or software is uninstalled, or the IT resource and/or system is transferred, decommissioned or sent to surplus."

Salt Lake County Library Agency management did not complete a software inventory.

When a software inventory is not maintained, there is an increased risk of unlicensed software on Magna Library computers, which could result in fines and penalties. In addition, available software licenses may not be fully utilized.

Recommendation

We recommend that Library Agency management complete and maintain their software inventory.

Additional Information

Background

The Magna Library is located at 2675 South 8950 West, Magna, Utah. The mission of Salt Lake County Library Services is to make a positive difference in the lives of customers by responsively providing materials, information, and services at community libraries located throughout the Salt Lake Valley. Today over 70% of area residents hold a library card. To serve the needs of a growing and diverse population, Salt Lake County operates 19 libraries and two reading rooms. Advancements in library technology has allowed express check-in at several locations, self-checkout at all libraries, and access to the world of electronic information through a new library website.

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

Our examination period covered up to twelve months ending December 18, 2013. 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.

Management response to findings in this report, when received, will be attached as Appendix A.

February 11, 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 Magna Library

Dear Mr. Hawkins:

This letter is in response to the audit report of Salt Lake County Magna
Library. We'd like to thank Deputy Auditor Scott Ball 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 the 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 Magna 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 Magna 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.

Findings # 1 - Personally Identifiable Information was unsecure during the online library card sign up process.

Risk Level: High

Recommendation
We recommend that Library Services secure personally identifiable information transmitted during the online library card sign up process.

Management Response
Action Taken: The Library is in the process of implementing secured online application. Hardware upgrade is needed to access secured application on Public Access Computers (PACs) within the library. The Secure Socket Layer (SSL) was installed but taken down due to compatibility issues on some PACs.

Finding # 2 – Internal controls over checks received through the mail were not adequate.

Risk Level: Low

Recommendation
We recommend that the duty of opening the mail and summarizing the receipt of checks be separated from the cash receipting duty, or that compensating controls be adopted.

Management Response
Action Taken - The Library staff is now required to keep a log of checks received in the mail and also retain a copy of the deposit receipt as a proof of deposit and credit to patron's account.

Finding # 3 – Receipts could be reprinted for prior transactions.

Risk Level: Low

Recommendation
We recommend that the ability for cashiers to reprint a receipt be disabled.

Management Response
The ability to reprint is a built-in feature of our Point of Sale (POS) software. All financial transactions have a unique transaction ID # with time and date stamp and a reprint receipt is easily identifiable that reduces potential risks associated with such document. In some cases, a reprint of receipt is required in order to assist library patrons.

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Finding # 4 – Cashiers were not individually accountable for overage and shortages.

Risk Level: Low

Recommendation
We recommend that each cashier record daily any overages or shortages on MPF Form 11.

Management Response
Due to low volume and low monetary value of transactions, the Magna Library staff and Library fiscal department staff review all shortages and overages in the aggregate on a daily basis. All outages or shortages over $2 are examined and investigated to identify patterns. It would not be cost-effective for the library to assign a dedicated cashier to each cash register. The library staff is cross-trained in different areas of library operations to better utilize their time and to provide better customer service. However, library is considering implementing multiple cash counts throughout the day to narrow transactions window and cashier's accountability.

Finding # 5 - "No-sale" and "no money taken" transactions were not documented with an explanation and reviewed and signed by a supervisor.

Risk Level: Low

Recommendation
We recommend that "no-sale" and "no money taken" transactions be documented with an explanation and reviewed and signed by a supervisor.

Management Response

Action Taken: *The library staff is instructed to provide an explanation on all "no-sale" and "no money taken" receipts.*

Finding # 6 - 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 Magna 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 to 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 provide PCI Awareness training to library staff that handles credit card payments.

Finding # 7 - No comprehensive software inventory was on file.

Risk Level: Low

Recommendation
We recommend that Library Agency management complete and maintain their software inventory.

Management Response:
Action Taken: Library PC's and the software they contain are tracked by KACE system and monitored by our IS team. KACE is licensed from Dell for PC management. Each of 970 PC's system-wide checks in via the network every 3 hours to report back its current status and any software changes, including updates. Through KACE, we also have a comprehensive list of the software residing on each PC.