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

An Audit of
Key Controls at the
West Jordan Library



OFFICE OF THE
SALT LAKE COUNTY
AUDITOR

SCOTT TINGLEY
COUNTY AUDITOR

May 2018
Report Number 2018-MLR19

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Scott Tingley, CIA, CGAP
SALT LAKE COUNTY AUDITOR

Cherylann Johnson, MBA, CIA, CFE, CRMA
CHIEF DEPUTY AUDITOR

AUDIT MANAGER:
Larry Decker, CPA, CIA

AUDIT STAFF:
David Lewis, CPA, CIA, CFE, CMA
Mike Hurst, CIA, CFE



OFFICE OF THE SALT LAKE COUNTY AUDITOR
AUDIT SERVICES DIVISION

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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.



SCOTT TINGLEY
CIA, CGAP

Salt Lake County Auditor
STingley@slco.org

CHERYLANN JOHNSON
MBA, CIA, CFE
Chief Deputy Auditor
CAJohnson@slco.org

ROS WELL ROGERS
Senior Advisor
RRogers@slco.org

STUART TSAI
JD, MPA
Property Tax
Division Administrator
STsai@slco.org

**OFFICE OF THE
SALT LAKE COUNTY
AUDITOR**
2001 S State Street, N3-300
PO Box 144575
Salt Lake City, UT 84114-4575

(385) 468-7200; TTY 711
1-866-498-4955 / fax



**Office of the
Salt Lake County Auditor
Scott Tingley, CIA, CGAP**

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**An Audit of Key Controls at the
West Jordan Library**

We recently completed an audit of key controls at the West Jordan Library (“West Jordan”). The purpose of the audit was to examine critical internal controls related to petty cash and other imprest funds, cash receipts and deposits, county asset management, and purchasing cards at West Jordan to determine if those key controls are implemented properly and functioning as intended.

We performed tests of those controls to provide assurance that accounting records were accurate and reliable, financial transactions and business processes complied with established policies, procedures, and regulations, and that county assets were adequately safeguarded against the risk of loss, theft, waste, or abuse. 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 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 at West Jordan. We truly appreciate the time and efforts of the employees of the West Jordan Library and library administration employees 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 October 1, 2016 to September 30, 2017. However, the period may have been adjusted to include any relevant information, records, or data from outside this period, as appropriate.

The audit included an examination of assets, financial records, and transactions in the following areas:

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

In addition to examining financial records, we observed business processes and tested the internal controls related to the areas listed above. We examined daily cash collections and deposits, interviewed West Jordan employees, physically examined capital and controlled assets, performed a surprise count of change funds, and examined purchasing card (P-card) purchases and receipts.

Audit Results

Change Funds

Audit Objectives:

- Determine if change funds are intact and maintained at the authorized amount.
- Determine if change funds are properly safeguarded against theft or misappropriation.
- Determine if change funds are managed in compliance with Countywide Policy.

West Jordan has an authorized change fund amount of \$272. The change fund is used by cashiers at West Jordan to make change for customers and patrons. In addition, a portion of the change fund is used in the printing kiosks. Patrons pay into the kiosk for printing services from the computer stations, and the kiosk machine gives change back to the customers from their purchase. We performed a surprise count of the change fund that compared the total cash on hand, less the reported daily collections amount, to arrive at the remaining change fund balance. We found that the change fund balanced to the authorized amount.

We also interviewed the staff at West Jordan and reviewed change fund procedures with them. We observed that the change fund was properly safeguarded within either the cash registers or printing kiosks during operating hours, and within a locked safe at night. We examined that fund transfer documentation was completed by cashiers when moving the change funds to-and-from the safe. We also determined that the staff at West Jordan was knowledgeable of

countywide policies related to change fund management, and followed the appropriate procedures outlined in those policies.

We noted no significant findings in the area of change funds.

Cash Handling and Daily Deposits

Audit Objectives:

- Determine if cash handling and depositing procedures at West Jordan comply with countywide policy.
- Determine if daily cash collections and deposits are properly safeguarded against theft and misappropriation.
- Determine if there are adequate segregation of duties between cash handling and depositing business procedures.

Our audit examined cash handling and depositing procedures at West Jordan to determine if those procedures complied with countywide policies. We also examined whether daily collections were properly accounted for and adequately safeguarded against the risk of loss or theft. Countywide Policy 1062, *“Management of Public Funds,”* establishes procedures for receipting, recording, and depositing funds, and defines functions and responsibilities to establish and strengthen internal controls over these processes.

We observed cash receipting procedures at West Jordan and reviewed those procedures with staff members. We noted that cashiers were aware of countywide policies concerning the management of public funds, and we found that daily collections were properly safeguarded.

To determine if depositing procedures at West Jordan complied with countywide policies, we selected a random sample of deposit dates to examine. The sample contained 24 days of deposit documentation that we analyzed to verify that amounts collected per the cash register transaction reports matched the amounts reported on cashiers’ *Daily Cash Balance Sheets*. We also verified that the total amount of cash and check collections were deposited each day, and that deposits were made no later than three days after receipt in accordance with countywide policy.

We also reviewed a sample of sales transactions recorded in the point-of-sale (“POS”) system. We found that some employees at West Jordan had incorrectly entered sales transactions as no-sales rather than choosing an item description for the sale. A no-sale transaction is recorded when a cashier opens the cash register drawer for some reason other than a normal sales transaction. We also found that no-sale transactions were not reviewed by management.

Our audit finding and recommendation in the area of cash handling and daily deposits are as follows:

Finding 2.1: Management at West Jordan did not review, and sign-off on no-sale transactions created by cashiers.

During the audit period, we identified approximately 2,500 no-sale transactions recorded in West Jordan's POS system. A no-sale transaction occurs any time that a cashier opens the cash register drawer without recording a sales transaction and receiving payment for goods or services from customers. No-sales can occur for various reasons, but typically happen when a cashier counts change incorrectly, or there is some other type of error that does not require a sales transaction to be voided completely. We noted that management at West Jordan was not reviewing and signing-off on no-sale transactions as evidence of review and approval.

Countywide Policy 1062, Section 2.2.1, states:

"Cashiers are subject to the administrative oversight of Cashier Supervisors designated by their respective County Agency Management. Cashier Supervisors are responsible for ensuring compliance with this policy and related internal policies and procedures approved by the Fund Management Policy Committee."

Although countywide policy does not specifically address no-sale transactions, we have noted several recent cases of employee theft occurring throughout the county, where cashiers have pretended to enter sales transactions into the point-of-sale system, and then opened the cash drawer later in the day by entering a no-sale transaction to pocket the cash.

In our opinion, supervisors and managers should review daily transaction logs for excessive or suspicious no-sale transactions. When practical, supervisors and managers should establish a review and approval process for all no-sale transactions, which should include a signature of the supervisor conducting the review and authorizing them. Therefore, County supervisors and managers can more effectively monitor no-sale transactions for signs of fraud or theft by cashiers manipulating cash sales transactions.

Recommendation 2.1:

We recommend that a supervisor at West Jordan review daily transaction logs and sign-off for all no-sale transactions.

Capital and Controlled Assets**Audit Objectives:**

- Determine if capital and controlled assets were identified accurately, physically present, and accounted for properly.
- Determine if capital and controlled assets were properly safeguarded.
- Determine if asset management practices complied with Countywide Policy.

We examined the management of county property and assets at West Jordan and tested the internal controls for safeguarding those assets. Countywide Policy 1125, *“Safeguarding Property/Assets,”* establishes internal controls for the proper management of county capital (fixed) and controlled assets, including procedures for accounting for, protecting, and disposing of those assets.

We obtained a listing of all fixed and controlled assets that should have been on-site at West Jordan. We found that most assets could be accounted for and were properly safeguarded.

However, we noted that the controlled assets list had not been updated when some assets were purchased or replaced. We also found that one controlled asset was loaned to another library, but the Property Manager had not completed the proper forms to identify which library the asset had been loaned to. Finally, we found that the Property Manager at West Jordan was not enforcing the use of the proper county form when assigning controlled assets purchased by West Jordan to specific employees.

Our audit findings and recommendations in the area of capital and controlled assets are as follows:

Finding 3.1: The Property Manager did not update the controlled assets list when new controlled assets were purchased.

We conducted a physical inventory of a sample of controlled assets from the controlled asset list to verify that they were located on-site and ensure that asset ID tags and asset descriptions on the list were accurate. We found that three (3) controlled assets were replaced with similar items, but the controlled asset list had not been updated to reflect the recent purchases.

We also selected some controlled assets we found on-site and traced them back to the controlled asset list and verified purchase receipts for those assets. We found that three (3) of those assets had been purchased recently but were not included on the controlled asset listing. Table 1, below, shows the assets that were not updated on the controlled asset list.

Table 1. Controlled Assets Not Added to the Inventory List. *The Property Manager at West Jordan had not updated the controlled asset inventory list when six items from the sample were purchased and put into service.*

Controlled Assets Not Added to the Inventory List			
Original Asset Description	Action Taken	New Asset ID #	New Asset Description
Laser Jet Printer	Replaced	31181086700060	HP LaserJet Printer
Laptop/Tablet Surface Pro	Replaced	31181086206332	Dell Latitude E7450
PC	Replaced	31181086328995	PC Dell Intel i5
N/A	Purchased	31181080169577	Canon Powershot A1300
N/A	Purchased	31181086204642	Symbol Barcode Scanner
N/A	Purchased	31181086227064	Samsung Reading Light

Countywide Policy 1125, Section 2.2.3, states that the property manager at each county facility shall:

"Maintain records as to current physical location of all fixed assets and controlled assets within the organization's operational and/or physical custody."

Furthermore, Countywide Policy 1125, Section 2.2.11, states that the property manager should conduct an inventory of controlled assets at least annually, to "ensure complete accountability for all property owned by or assigned to the organization." Verifying that controlled assets are properly accounted for through the annual controlled asset inventory is a key internal control intended to ensure that County organizations are properly safeguarding assets against loss through theft, misuse, or abuse.

When County organizations do not ensure that protective internal controls are functioning as intended, then the risk that County assets could be lost, stolen, or converted to personal use increases. Updating the controlled asset list in conjunction with the annual inventory of assets is, in our opinion, a good method to ensure that county assets are properly identified, accounted for, and safeguarded.

Recommendation 3.1:

We recommend that the Property Manager at West Jordan update the controlled assets list as soon as possible when controlled assets are replaced, or purchased, to ensure that controlled assets are properly identified, accounted for, and safeguarded against loss or theft.

Finding 3.2: The Property Manager did not update the controlled assets list or complete the correct form to show the current location of an asset that had been loaned to another library.

One of the controlled assets in our sample, a projector, with an asset ID barcode #31181086154888, could not be located on-site. When we inquired about the missing asset, the Property Manager indicated that the projector was on loan to the Bingham Creek Library (“Bingham Creek”).

Countywide Policy 1125, Section 2.10, states:

“Property on loan – Periodically the need may arise to transfer accountability of an asset (either fixed or controlled) to a different organization, but only on a temporary basis. This may be the case where an organization wishes to retain ownership in the property but acknowledges the need for another organization to use the asset temporarily in their operations. Exhibit 2 (the PM-3 form) to this policy should be used for this purpose. It should be signed by both Property Managers involved in the loan.”

We found that the Property Manager at West Jordan had loaned the projector to Bingham Creek, but did not complete a Form PM-3, to document the loan of the asset to another library branch. The Property Manager also failed to obtain the other property manager’s signature, acknowledging that the projector was now in Bingham Creek’s custody and that Bingham Creek was responsible for tracking and safeguarding the projector.

Maintaining complete and accurate asset records is a key internal control that helps to safeguard assets against improper use and deter theft. Although it is a rare occurrence, loaning an asset, either fixed or controlled, to another county organization should be well documented and responsibility for the loaned asset should be clearly defined.

When loaned assets are not tracked properly, it creates confusion about who is ultimately responsible for the asset and provides an opportunity for theft to go undetected. The Property Manager at West Jordan should complete a Form PM-3, to document the loaning of the projector to Bingham Creek as soon as possible, and update West Jordan’s asset lists to show the actual location of the asset.

Recommendation 3.2:

We recommend that the Property Manager at West Jordan complete a Form PM-3 to document the loaning of the projector to Bingham Creek as soon as possible and update the asset list to show the current location of the asset.

Finding 3.3: The Property Manager did not use the *Controlled Assets Inventory Form – Employee* to establish personal responsibility for controlled assets assigned to specific employees.

We found that the Property Manager had not implemented the use of the *Controlled Assets Inventory Form – Employee* to establish personal accountability for controlled assets assigned to specific employees at West Jordan. Instead, employees were only required to put their signatures or initials next to certain controlled assets on the controlled asset inventory list that had been assigned to them.

Countywide Policy 1125, Section 4.3.1, discusses the responsibility of county organizations to use the forms to track controlled assets that are assigned to specific employees:

"Exhibit 3 - Controlled Assets Inventory Form - Employee is used for those assets that due to their nature, are used by and therefore readily assignable to an individual."

When we discussed this issue with management, they indicated that they thought that their current method of having an employee sign for an asset on the controlled asset list was adequate. However, the *Controlled Assets Inventory Form – Employee* requires that the employee acknowledges receipt of, and personal accountability for the assets that have been assigned for their use

Establishing personal accountability for assets that are used by or assigned to a specific library employee is an important internal control that helps prevent loss, theft, or misuse of county-owned assets. When asset records are incomplete or inaccurate, or do not properly identify the person responsible for the use and care of those assets, the risk that those assets could be lost, stolen, or converted to personal use without being detected is increased.

Recommendation 3.3:

We recommend that the Property Manager implement the use of the Controlled Assets Inventory Form – Employee for assets assigned to a specific employee, and that each form is signed and dated by the employee to acknowledge that it is an accurate and complete list.

Purchasing Cards**Audit Objectives:**

- Determine if purchasing card purchases have supporting documentation and purchase receipts to verify the legitimacy of purchasing card purchases.
- Determine if management actively reviewed purchasing card transactions for any unallowable purchases.
- Determine if purchasing card purchases complied with Countywide Policy.

West Jordan has three (3) employees that are authorized to use purchasing cards (“p-cards”) for small-cost purchases and other operational expenses. These purchases are required to be for an allowable and valid county business purpose. Original receipts and other purchase documents are required to be maintained on-site and reviewed by management for legitimacy and accuracy.

We obtained a sample of 95 p-card purchases made between October 1, 2016 and September 30, 2017 by the p-card cardholders at West Jordan. We examined the receipts for these purchases to determine if:

1. The amount recorded was the actual amount paid.
2. Employees made any personal purchases.
3. Employees paid any sales tax upon purchase.
4. Employees intentionally split purchases to circumvent county procurement policies and procedures.

We found that all p-card purchases in the sample were accurately recorded in the accounting system, all purchases were supported with appropriate purchase receipts or other documentation, that no sales tax was paid on any of the purchases, and that vendors or library employees had not manipulated any of the transactions into split purchases to circumvent small-cost expense limits. In addition, we confirmed with Contracts and Procurement that cardholders had all received training on proper P-card use when they first received their cards.

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

Conclusion

We appreciate the time spent by the staff at the West Jordan Library answering our questions, gathering the necessary documentation and records, and allowing us access to the library during our audit. The staff were friendly, courteous, and very helpful throughout the audit process. We trust that implementation of these recommendations 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 Webster, Administration and Fiscal Manager
Darlene Nethery, West Jordan Library Manager

Attachment A: Agency Response

Attachment A: Agency Response

Agency Response West Jordan Library			
Finding 2.1: Management at West Jordan did not review, and sign-off on no-sale transactions created by cashiers.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that a supervisor at West Jordan review daily transaction logs and sign-off for all no-sale transactions.</i>	Disagree	We have a supervisor sign off on the entire day's deposit packet. The no-sales are part of the paperwork they review.	
Finding 3.1: The Property Manager did not update the controlled assets list when new controlled assets were purchased.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that the Property Manager update the controlled asset list with the current information for replaced and newly purchased assets.</i>	Agree	We are revising our asset procedures to insure the property manager is notified of all purchases and adds them to the asset list.	May 31, 2018
Finding 3.2: The Property Manager did not update the controlled assets list or complete the correct form to show the current location of an asset that had been loaned to another library.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that the Property Manager at West Jordan complete a Form PM-3 to document the loaning of the projector to Bingham Creek as soon as possible and update the asset list to show the current location of the asset.</i>	Agree	We are revising our asset procedures to insure the property manager is notified of all transfers of assets.	May 31, 2018

Finding 3.3: The Property Manager did not use the <i>Controlled Assets Inventory Form – Employee</i> to establish personal responsibility for controlled assets assigned to specific employees.			
RECOMMENDATION(S)	AGREE/ DISAGREE	ACTION PLAN	TARGET DATE
<i>We recommend that the Property Manager implement the use of the Controlled Assets Inventory Form – Employee for assets assigned to a specific employee, and that each form is signed and dated by the employee to acknowledge that it is an accurate and complete list.</i>	Agree	We have notified all managers that this form must be used. Previously the manager would sign the form accounting for all assets in the building.	May 31, 2018