



SALT LAKE COUNTY AUDITOR'S OFFICE

SEAN THOMAS

June 20, 2005

James D. Cooper, Director
Salt Lake County Library System
Whitmore Library - 2197 Fort Union Blvd.
Salt Lake City, Utah 84121

RE: Kearns Library Cash Audit

Dear Jim:

We recently completed an audit at the Kearns Library (Kearns) that included cash collections, depositing procedures, and fixed and controlled assets. We also conducted an unannounced count of the change fund. Cash handling and controlled assets management are generally adequate, but we found areas where improvements were needed. Our findings and recommendations are discussed below.

CHANGE FUND AND CASH COLLECTIONS AND DEPOSITING

Kearns has an authorized change fund of \$156.00, of which \$80.10 is used as the cash register startup fund, and the remaining \$75.90 is placed in the change mechanism of the Library's two copy machines. The change fund exceeded its authorized limit by \$.50 when we counted it. Kearns does not have a petty cash fund.

We examined cash receipting and depositing to determine whether Kearns was in compliance with Countywide Policy #1062, "Management of Public Funds." We found that cashiers immediately endorsed checks upon receipt and included the patron's drivers license number on each check, indicating that personnel consistently requested identification. We commend Kearns branch management and staff for following correct procedures when accepting checks. We did find two areas in which improvements were needed, as noted in the following findings:

- **Check/cash composition was not correctly entered on many transactions.**
- **Cash overages and shortages were frequent, and individual accountability for cash outages was not established.**

Check/cash composition was not correctly entered on many transactions. Cashiers frequently entered the incorrect payment type into the cash register. Checks were sometimes entered as cash, and credit card payments were sometimes entered as checks. For example, we noted that checks for \$8.99, \$2.00 and \$17.75, were each entered into the system as cash payments, and a \$10.95 credit card transaction was entered as a check. Also, we noted instances where cashiers incorrectly entered the amount tendered. For example, a check for \$36.54 was incorrectly entered as \$32.54, and a \$17.00 check was entered as \$1.70. Moreover, we noted that cashiers frequently voided incorrectly-entered transactions and re-entered them with the correct information. We selected a sample of 51 separate deposit days during the period of March, 2004 to March, 2005, and noted 47 voided transactions from the days we reviewed.

Though voids occurred frequently, they were always reviewed and signed as they should have been. In all but one instance, when a library employee signed a void slip, both as the cashier and supervisor, voids were processed in accordance with Countywide Policy #1062, "Management of Public Funds." Section 3.5.2.2 of this policy states, "*When it is necessary to void a receipt, all copies will be marked 'void', including the original copy if available. The cashier who initiated the void will document on the front of the voided receipt the cause of the voided transaction and its resolution. A supervisor not involved with the transaction will review and sign the voided receipt along with the cashier who initiated the void.*"

We commend Kearns Library staff for their concern in correcting cash/check composition errors. Voiding a transaction to correct these errors demonstrates a desire to produce accurate accounting records, though exercising greater care to correctly enter each transaction in the first place would have reduced the need for so many voids. Check/cash composition errors sometimes mask schemes of replacing stolen cash with checks set aside and not receipted. Therefore, cash and check composition should be correctly entered into the cash register.

Kearns' circulation supervisor and head cashier believed that input errors resulted from cashiers processing transactions too quickly in an effort to reduce waiting for patrons at the cash register. While efficient customer service is important, cashiers should also focus on correctly entering the payment type and amount.

RECOMMENDATIONS:

We recommend that Kearns Library cashiers accurately enter payment composition and amounts to reduce the number of voided transactions.

Cash overages and shortages were frequent, and individual accountability for cash outages was not established. From our random sample of 51 days of collection activity, we found cash outages on 36, or 71 percent, of these days. Overages accounted for 18, or 50 percent of these outages, and in amounts ranging from \$.01 to \$14.30. On the other hand, shortages, ranging from \$.05 to \$13.80, accounted for 18, or 50 percent of the outages we discovered. We found three shortages and one overage that exceeded \$10.00 each.

As a matter of practice, perfect balancing is not always expected in day-to-day operations. In fact, perfect balancing every day might signal cashiering problems, and could serve to distract attention from a possible diversion of funds to personal use. Nevertheless, Kearns personnel should work to reduce the frequency of outages, and be reminded that accuracy is essential to effective cashiering. One complicating factor in achieving cashier accuracy and accountability is the practice of allowing more than one cashier to work out of the same cash drawer.

Library Administration creates a monthly report that details each day's outages at Kearns. Cashiers themselves do not complete MPF Form 11, "Cash Over/Short Log," because individual cashier accountability is not in place. Policy #1062, Section 2.5.3, states, "*All overages and shortages, regardless of the amount, must be recorded and reported daily by the agency on MPF Form 11, CASH OVER/SHORT LOG. When a significant shortage or a pattern of shortages occurs in the accounts of any cashier, the agency shall conduct an investigation of the circumstances and report its findings to the Auditor.*"

The monthly outage report produced by Administration sufficiently incorporates elements of MPF Form 11, "Cash Over/Short Log" to satisfy policy requirements. MPF Form 11 is shown in Attachment A. Nevertheless, individual cashier accountability is not achieved. Kearns typically has five to six cashiers working out of the same drawer. Daily Z-tape receipt totals reflect cashiering activity as a whole, instead of activity by each individual cashier. Cashiers are also librarians, and therefore, they perform other duties besides cashiering, such as checking out and shelving books. Depending on customer needs, a cashier may not be required at all times during the day. The librarian closest to the cash register may be the one who handles the next transaction.

Accountability can only be achieved if each cashier operates his or her own cash drawer and balances his or her own receipts. The issue of one cashier per cash drawer has been discussed in previous audits where it has been suggested that four or five cash drawers be arrayed in a stack, with each drawer being separately assigned to an individual cashier. Each drawer would open only when the corresponding cashier's identification number is entered during the transaction. Library management dismissed this option as too unwieldy and impractical.

Some libraries, such as the Sandy branch, rotate cashiers. One cashier is assigned to the cash register for two or three hours, followed by another employee, who assumes duties from the previous cashier.

Multiple cashiers working out of the same cash drawer is an internal control weakness. However, use of multiple cashiers in the same drawer is common throughout the Library system, and sometimes in other County offices and divisions. This is due to a shortage of personnel, the sometimes infrequent need for a cashier, as already mentioned, and in most cases, the small amount of cash collected. Indeed, Kearns collects a relatively small amount of money on any given day, typically \$200 to \$300.

The fact that Kearns' overages and shortages were not of significant magnitude mitigates some of the risk involved. Consistent management review of the cashiering process has helped to control overages and shortages. Barring implementation of one cashier per cash drawer, additional training is required where the need to reduce the frequency of daily outages is emphasized.

RECOMMENDATION:

We recommend that cashiers be instructed in the need to reduce the frequency of daily cash outages.

FIXED AND CONTROLLED ASSETS

Our objective for this part of the audit was to evaluate the adequacy of internal controls over County fixed and controlled assets, including compliance with Countywide Policy #1125, "Safeguarding Property/Assets." A fixed asset is defined as an item of real or personal property owned by the County, meeting the criteria for capitalization, having an estimated life expectancy of more than one year, and a cost equal to or greater than the capitalization threshold, currently \$5,000. Kearns is not assigned any fixed assets. None of the equipment on-site exceeds the capitalization threshold for designation as a fixed asset.

A controlled asset is a personal property item which is easily converted to personal use, having a cost of \$100 or greater, but less than the current capitalization threshold. Personal communication equipment, such as pagers, cell phones, and radios, are considered controlled assets regardless of cost. We obtained a copy of the controlled assets inventory reports and conducted a physical inventory of controlled assets at Kearns. We found the following:

- **The controlled asset list maintained by the property manager was incomplete and in some cases, inaccurate.**

- **A physical inventory of non-computer controlled assets maintained by the Kearns Library was not conducted in 2004.**

The controlled asset list maintained by the property manager was incomplete and in some cases, inaccurate. We could not locate 22 PCs and other peripheral computer equipment identified on the controlled asset inventory report. The Kearns Library manager believed that these items, identified on the inventory report as being located in the basement, had been removed by Library I/S staff, but she was not certain. Controlled assets that we could not locate are shown in Attachment B. Also, three items that could qualify as controlled assets were not recorded on the controlled asset inventory report. Table 1 below identifies these items:

Controlled Assets that were Not Recorded on the Controlled Assets Inventory Report				
Property Description	Make	Model	Serial #	Bar Code #
CD/tape player	Eiki	7070A	Unknown	None
Television	JVC	AV-270503	14727335	31181057394257
DVD/VCR	Samsung	DVD-V200	G1AT309064V/XAA	31181057394240

Table 1. Items found at the Kearns Library, but not recorded on the controlled asset inventory report.

Library Administration, with offices at the Whitmore Library, purchases all fixed and controlled assets for Kearns, but the Kearns Library manager makes all purchase requests. Administration's purchasing clerk generates the purchase order, and goods are received at the Kearns Library itself. The controlled asset report is updated and maintained by Administration's general property manager. Therefore, the movement of goods, from purchase to delivery, may not be communicated between the Kearns Library manager and Administration's general property manager.

Moreover, computer equipment and peripherals are ordered, inventoried and the listing is maintained by the Information Services (I/S) section of Library Administration, though the local branch receives a copy of the list. The Kearns Library manager serves as the property manager at the local level. Countywide Policy #1125, "Safeguarding Property/Assets", Section 2.2.8, states, "*Property Managers duties [are to] coordinate with the organization's Purchasing Clerk to ensure all newly acquired property is identified and accountability is appropriately established.*"

Since controlled assets are sensitive to conversion to personal use, it is essential that Kearns use the controlled asset list to track these items. The list should be updated to reflect new purchases and transfers to the surplus section of Contracts and Procurement, or to other County

locations. The absence of an accurate controlled asset report conveys management's inattention to detail, thereby making controlled assets more susceptible to theft.

RECOMMENDATIONS:

1. *We recommend that the three unrecorded controlled assets found during our inventory be included on the controlled asset report.*
2. *We recommend that the Kearns Library manager communicate delivery of newly purchased items, and also transfers to surplus or other locations, to the Library Administration property manager, or I/S staff, and that Administration update the controlled asset inventory report to reflect these changes.*

A physical inventory of non-computer controlled assets maintained by the Kearns Library was not conducted in 2004. Kearns Library maintains two controlled asset inventory reports. The first report identifies all computer equipment located at the branch. Library I/S staff performs the annual inventory of computer equipment and provides an updated computer equipment list to the branch manager at the conclusion of the inventory. The most recent inventory was completed in March, 2005.

The second inventory report identifies all non-computer equipment that meets controlled asset criteria of purchase cost exceeding \$100 and being susceptible to conversion to personal use. Kearns is responsible to conduct annual inventories of these non-computer items. The Kearns manager stated that the current list of controlled assets had not been updated since 2003, suggesting that a physical annual inventory had not been performed in 2004, as required by policy. Countywide Policy #1125, Section 2.2.11, states, *"At least annually, conduct physical inventory of fixed assets and controlled assets, to ensure complete accountability for all property owned by, or assigned to the organization."*

The absence of an inventory in 2004 was a management oversight. However, failure to complete this requirement allows for missing controlled assets to go unnoticed. Performing an annual inventory establishes accountability over fixed and controlled assets, and allows Library management to investigate and resolve any discrepancies between items identified on the inventory report, and the actual physical asset count.

RECOMMENDATION:

We recommend that an annual inventory of non-computer controlled assets be conducted, as required by Countywide Policy #1125.

Jim Cooper, Director

June 1, 2005

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We appreciate the cooperation and assistance we received from the Kearns Library staff during our audit. We are confident that our work will be of benefit to you as you endeavor to make changes that will strengthen internal controls over cash handling activities and improve procedures regarding fixed and controlled assets throughout the Library System. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

James B. Wightman, CPA
Director, Internal Audit Division

cc: Mike Stoker
Darlene Dineen
Jean Nielsen
April Townsend
Tammy Stewart

CASH OVER/SHORT LOG

MPF Form 11

DIVISION _____

MONTH/YEAR _____

EMPLOYEE _____

DAY	AMOUNT OVER/SHORT	INITIALS OF CASHIER
1	_____	_____
2	_____	_____
3	_____	_____
4	_____	_____
5	_____	_____
6	_____	_____
7	_____	_____
8	_____	_____
9	_____	_____
10	_____	_____
11	_____	_____
12	_____	_____
13	_____	_____
14	_____	_____
15	_____	_____
16	_____	_____
17	_____	_____
18	_____	_____
19	_____	_____
20	_____	_____
21	_____	_____
22	_____	_____
23	_____	_____
24	_____	_____
25	_____	_____
26	_____	_____
27	_____	_____
28	_____	_____
29	_____	_____
30	_____	_____
31	_____	_____
ACCUMULATIVE OVER/(SHORT)	\$ _____	_____ -

Approved by Agent Cashier _____

I have reviewed the above log for propriety and certify that any differences between cash received and deposited are listed above.

Supervisor's Signature _____

Title _____

Kearns Library
Controlled Assets on the Inventory Report, But Not Found

Location	Bar Code	Item Type	Make	Model	Serial #
Basement	31181043421370	Monitor	Gateway	EV700	17054F174807
Basement	31181043425686	Terminal	WYSE	WY-150	0JE14901273
Basement	31181043421347	Monitor	Gateway	EV700	17054F122537
Basement	31181043421354	Monitor	Gateway	EV700	17054F179825
Basement	31181043421362	Monitor	Gateway	EV700	17054F121260
Basement	31181058702169	Terminal	WYSE	WY-150	0JE15800600
Basement	31181048098041	Terminal	WYSE	WY-150	0JE14B02539
Basement	31181043420778	Terminal	WYSE	WY-150	0JE18C00625
Basement	31181043422147	Monitor	Gateway	EV700-17	HDE2K8204464
Basement	31181043425793	Computer	Micron	PH 350	1363709-0001
Basement	31181043438135	Terminal	WYSE	WY-150	0JE14901284
Basement	31181043388678	Monitor	Gateway	EV700-17	HDE2K8204468
Basement	31181048102231	Printer	HP	630C	MY99EF23QZ
Basement	31181043388744	Monitor	Gateway	EV700-17	HDE2K8204473
Basement	31181043425673	Terminal	WYSE	WY-150	0JE14B01273
Basement	31181043389163	Printer	HP	630C	MY99EF23OM
Basement	31181043388876	Monitor	Gateway	EV700-17	HDE2K8204467
Basement	31181043388835	Surge Protector	APC	NET9RM	HA0029102427
Basement	31181043425249	Terminal	WYSE	WY-150	0HZ14400598
Basement	31181043388777	Monitor	Gateway	EV700-17	HDE2K8204470
Basement	31181043389072	Thin Client	WYSE	3720	1C319A02729
Basement	31181043425371	Monitor	Micro	SVGA	FS7444379

Attachment B