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

An Audit of the Salt Lake County
Library Services Division's
Cash Receipts



OFFICE OF THE
SALT LAKE COUNTY
AUDITOR

SCOTT TINGLEY
COUNTY AUDITOR

October 2019
Report Number 2019-12

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OFFICE OF THE SALT LAKE COUNTY AUDITOR
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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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Date: October 14, 2019

To: The Citizens of Salt Lake County, the County Mayor and County Council

From: Scott Tingley, Salt Lake County Auditor

Re: An Audit of the Salt Lake County Library Services Division's Cash Receipts

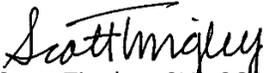
TRANSMITTAL LETTER

Transmitted herewith is our report, **An Audit of the Salt Lake County Library Services Division's Cash Receipts** (Report Number 2019-12). An Executive Summary of the report can be found on page 1. The purpose of the audit was to evaluate internal controls over cash receipts at all county library locations to determine if cash receipts are recorded and accounted for correctly, transaction records are accurate and reliable, and County funds are properly safeguarded against the risk of loss, theft, or misuse.

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 the Library Services Division throughout the audit. Our work was made possible by their cooperation and prompt attention given to our requests.

We will be happy to meet with any appropriate committees, council members, management, or advisors to discuss any item contained in the report for clarification or to better facilitate the implementation of the recommendations.

Respectfully submitted,


Scott Tingley, CIA, CGAP
Salt Lake County Auditor

Cc: Holly Yocom, Department Director, Department of Community Services
Lori Okino, Fiscal Administrator, Department of Community Services
Jim Cooper, Division Director, Library Services
Leslie Webster, Associate Director of Finance and Operations, Library Services

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Executive Summary

Background and Purpose

We recently completed an audit of cash receipts at the Salt Lake County (County) Library Services Division (Library Services). The purpose of the audit was to:

- Evaluate internal controls over cash handling, receipting and depositing at all county library locations;
- Determine if cash receipts are recorded and accounted for correctly, and transaction records are accurate and reliable;
- Determine if cash receipts are properly safeguarded and Library business practices comply with county ordinances, policies, and procedures.

Library Services consists of 18 libraries located throughout the County. The mission of Library Services is to:

“Make a positive difference in the lives of our community by inspiring imagination, satisfying curiosity, and providing a great place for everyone to visit.”

Library Services provides books and other media for checkout to the public and has computer terminals at each of the individual 18 branches for patron internet access. In addition, patrons can reserve rooms for meetings or study activities. Library Services has its own Board of Directors and special tax fund for supporting and funding its operations, though budgeting and approval of funding ultimately comes through the Salt Lake County Council.

What We Found

A payment station at the Magna Library was not functioning or maintained properly which caused a discrepancy in the deposit amount (p. 9).

We counted funds in the library payment stations, where patrons deposit cash or insert credit or debit cards to pay for copies, computer printouts, or document scans. At a payment station at the Magna Library we found a \$30.00 overage in the deposit amount. Management believes the machine is not always dispensing change to patrons correctly and that other mechanical or functional problems may be occurring with the machine that is causing deposit discrepancies.

What We Recommend

To ensure cash deposit overages or shortages are accurately recorded and reviewed:

Magna Library should calculate the net effect of any cash overages or shortages on the deposit total and record the overage on the Library's *Cash Over/Short Log*. Library Services should also consider repairing or replacing the payment station with one that functions properly to eliminate cash deposit overages and/or shortages that are inadvertently caused by the machine.

Summary of Agency Response

We received a response to the audit from Library Services for the recommendations given, which is included for reference at the end of this report. Library Services' response included an action plan that outlined the action they will take to remediate the issue, the person responsible for implementing the action plan, and a due date for the completion of the action plan.

Introduction

Background

The Library Services Division

Library Services consists of 18 libraries located throughout the County. The mission of Library Services is to:

“Make a positive difference in the lives of our community by inspiring imagination, satisfying curiosity, and providing a great place for everyone to visit.”

To fulfill that mission, Library Services provides the public with books, music, movies, magazines, and computers with internet access. Special programs, such as story time, classes, book clubs and art exhibits are also available.

The 18 libraries charge fines and fees for books or other media returned late and for lost materials. Receipts also originate from book sales, copies, and merchandise sales, including book bags, flash drives, and ear buds. The libraries have on-line point-of-sale cashiering stations using the management software, Smart Money Manager (SMM).

Traditionally, libraries allow multiple cashiers to use the same cash register throughout the day to provide employees flexibility in performing various tasks and to allow patrons accessibility to a cashier at any given moment. This process creates a risk from the inability to assign any overage or shortage to a specific cashier. We noted, however, that overages and shortages occurred infrequently and in insignificant amounts, typically of less than \$1.00. The libraries have multiple processes in place to monitor the receipt of funds, including use of an over/short log and dual signatures on balancing forms to provide verification of funds included in the deposit.

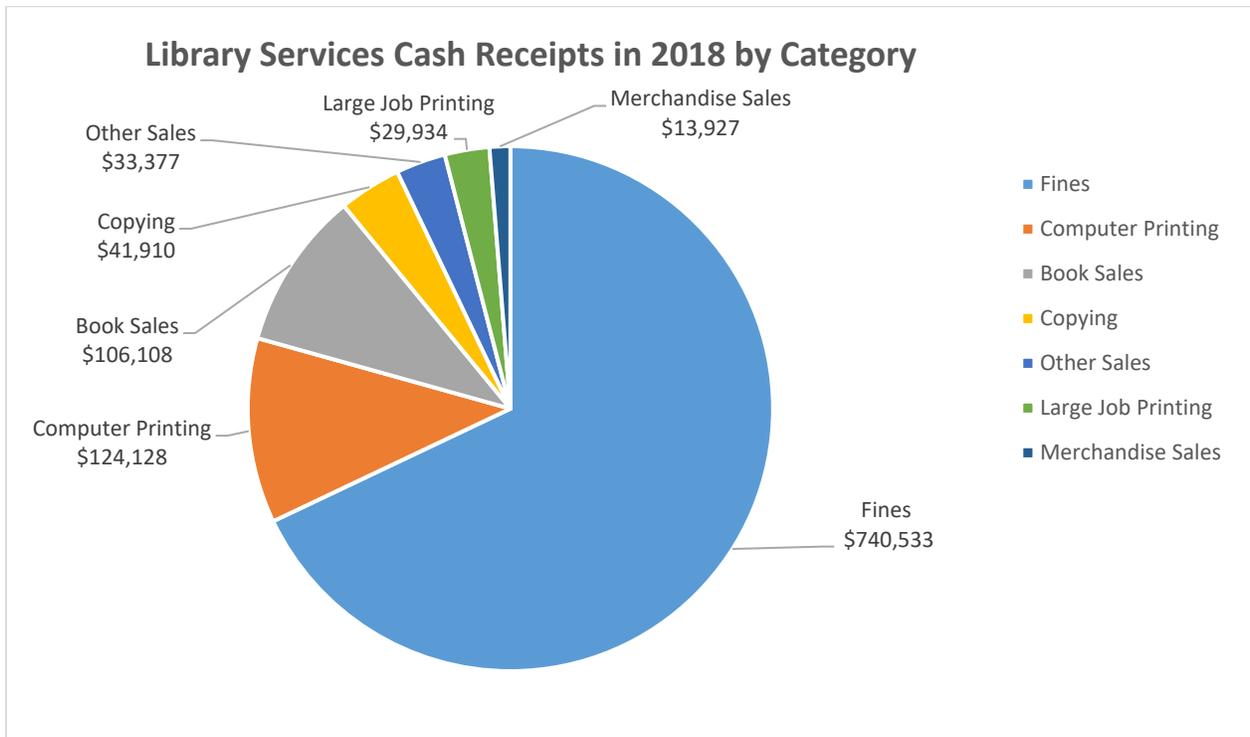
In 2018, Library Services collected over \$1.09 million in revenues, with the Sandy branch collecting the most, \$100,817, and the Columbus branch the least, \$23,420. The average collection per branch was \$57,990. Table 1 shows the breakdown of this amount among each of the individual 18 library branches.

Table 1. Total Cash Receipts by Library Location in 2018. *Cash receipts includes library collections from patrons in all forms of payment including cash, personal checks, and credit cards. Credit cards were the most popular form of payment used by library patrons, accounting for 56% (\$608,740) of total cash receipts in 2018. Second was cash at 42% (\$460,871), and third was personal check at only 2% (\$20,306) of total cash receipts in 2018.*

Total Cash Receipts by Library Location in 2018			
Library Location	Cash/Check Collections	Credit Card Collections	Total Cash Receipts
Sandy	\$39,852	\$60,965	\$100,817
West Jordan	\$34,639	\$42,799	\$77,438
Hunter	\$43,295	\$33,054	\$76,348
Herriman	\$21,767	\$51,629	\$73,396
Whitmore	\$30,331	\$40,487	\$70,818
Draper	\$23,231	\$47,174	\$70,405
Bingham Creek	\$27,974	\$40,662	\$68,636
Millcreek	\$28,343	\$39,997	\$68,340
South Jordan	\$22,360	\$43,064	\$65,425
West Valley	\$36,570	\$20,723	\$57,293
Riverton	\$19,864	\$35,892	\$55,757
Taylorsville	\$23,435	\$26,044	\$49,479
Magna	\$24,381	\$22,619	\$47,000
Kearns	\$25,866	\$18,817	\$44,683
Holladay	\$17,309	\$19,479	\$36,787
Ruth Vine Tyler	\$16,714	\$12,799	\$29,513
Calvin Smith	\$16,472	\$11,785	\$28,258
Columbus	\$13,515	\$9,906	\$23,420
Administration	\$15,258	\$0	\$15,258
Customer	\$0	\$30,846	\$30,846
Totals	\$481,177	\$608,740	\$1,089,917

The total cash receipts in 2018 of approximately \$1.09 million shown in Table 1, includes collections mainly from fines and fees but also includes book sales, merchandise sales of ear buds, flash drives and book bags, and copying and printing fees. Figure 1 below shows the breakdown of 2018 cash receipts by type or category.

Figure 1. Library Services Cash Receipts in 2018 by Category. *Library fines comprised 68% (\$740,533) of total Library Services cash receipts in 2018. Printing fees and used book sales were the second and third highest categories in 2018 at 11% (\$124,128) and 10% (\$106,108), respectively.*



Objectives

The objectives of the audit were to identify and perform tests of internal controls over cash receipts and cash handling procedures at Library Services to:

- Determine if change funds were maintained at their authorized amounts.
- Determine if cash receipts were properly safeguarded against loss, theft, or misuse.
- Determine if cash handling and daily depositing procedures complied with Library Services' own internal policies and procedures and countywide policy.
- Determine if cash receipts were recorded and accounted for accurately and correctly.

Scope and Methodology

Our audit work covered the period from January 1, 2018 through December 31, 2018. The audit included a formal examination of financial records and tests of internal controls related to cash receipts in the following operational areas:

- Change Funds and Cash Handling
- Cash Receipts and Daily Deposits

We verified change fund balances and examined samples of daily cash collections and deposits. We noted that the Kearns and Holladay libraries were closed during our audit due to the facilities being torn down for construction of the new branches. We did, however, have access to their accounting and deposit records for the period they were open in 2018. We limited the scope of our work to the 18 branch libraries and did not examine the fiscal and customer service area at the Viridian Center.

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 issues related to items not specifically selected for review.

Audit Results

Change Funds and Cash Handling

Each library maintains a change fund to provide change to customers, as needed, from cash payments of fines and fees. The libraries reserve a portion of their change funds in printing and scanning kiosks or payment stations. Library patrons deposit coins or bills into the payment station kiosks to pay for printouts, copies, and document scans. Payment stations dispense change to patrons using the reserve change fund amount that library staff have deposited in the machines.

We performed a surprise count of cash registers and payment stations to determine whether change funds on hand matched the correct change fund balances as authorized by the County Mayor's Office of Financial Administration (Mayor's Finance). We found that most library locations had minor or insignificant change fund imbalances. The total dollar amount of all library change fund balance discrepancies at each library were less than \$3.00. We noted that all change fund balance discrepancies occurred in the payment stations, except for one overage of \$2.00 in the cash register drawer at Magna Library.

We found no variances at the Columbus, Herriman, Taylorsville, Holladay and Kearns branches, though as mentioned, Holladay and Kearns are now temporarily closed. In addition, the West Jordan branch stated their changed fund was \$270, though Mayor's Finance listed it as \$272. We noted one variance, an overage of \$30.05, in the payment station at Magna.

We physically observed that the change fund was properly safeguarded within the cash register and payment station cash boxes during operating hours.

Findings and Recommendations

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

Cash Receipts and Daily Deposits

Our audit examined cash handling and depositing procedures at all 18 County libraries to determine if those procedures complied with Library Services' own internal policies and procedures and applicable countywide policies. We also examined whether daily collections were properly accounted for and adequately safeguarded against the risk of loss, theft, or misappropriation. Countywide Policy 1062, *Management of Public Funds*, outlines the proper procedures for receipting, recording, and depositing funds, and defines the functions and responsibilities to establish internal controls over these processes.

Library Services uses an on-line, computerized point-of-sale (POS) system, called Smart Money Manager (SMM), for general cashiering functions and recording cash receipts. Library cashiers record their daily cash drawer counts in a separate software program developed in-house by Library Services IT staff that compares their drawer counts to SMM system totals and automatically tabulates cash receipt totals and

calculates the required cash deposit amount for cashiers to compare with their actual cash drawer counts.

To determine if balancing and depositing procedures complied with countywide policies, we examined a judgmental sample of 30 deposits at each of the 18 libraries, for a total of 540 deposits. We analyzed deposit documentation to determine whether balancing was correctly recorded on cashier balance sheets. We compared the SMM report to the cashier drawer count of actual collections. Also, we verified that deposits were made no later than three days after receipt in accordance with countywide policy. We found that each library had adequate safeguards in place to protect cash deposits against theft.

Library Fine and Fee Waivers

Libraries levy fines and fees to patrons for late-returned or lost items. Library Services administration has formulated a set of standard procedures for libraries to follow. *Fines and Fee Waiver Procedure*, gives libraries the latitude to waive patron fines and penalties and states,

“Fines and fees may be waived at the discretion of the library.”

Table 2 below shows the total number of fine and fee waivers and the dollar amount of waivers in 2018 for the library system, and for each library individually.

Table 2. Total Library Fee Waivers in 2018. *Librarians can waive fines and fees at their discretion, though waivers greater than \$10 require a supervisor’s signature, in addition to the cashier’s and customer’s signature. The West Jordan Library waived the most by dollar amount, and Columbus, one of the smaller branches, waived the least. The busiest library by amount of cash receipts, Sandy, waived \$10,000 in fines and fees in 2018.*

Total Library Fines and Fee Waivers by Library Location in 2018		
Library Location	Total Waivers Issued	Total Library Fees Waived 2018
West Jordan	2,585	\$21,220
Bingham Creek	2,342	\$14,329
Draper	2,186	\$13,283
Whitmore	1,779	\$11,973
South Jordan	2,007	\$11,675
Hunter	1,729	\$11,214
Kearns	1,078	\$10,433
Millcreek	1,520	\$10,405
Herriman	1,698	\$10,376
Sandy	1,634	\$10,060
Riverton	1,476	\$7,855

West Valley	663	\$6,815
Holladay	1,120	\$6,491
Ruth Vine Tyler	740	\$5,858
Taylorsville	760	\$4,795
Magna	660	\$4,636
Calvin Smith	504	\$3,894
Columbus	437	\$3,607
Admin/Customer	25	\$1,976
Total at all Library Locations	24,943	\$170,895

We examined a sample of waivers recorded in SMM and found a signed standardized slip in each case to document the waiver, as required by the internal procedure. Librarians explained a few extreme cases where fees may be waived, such as the patron's inability to get to the library due to illness, or the patron's home being broken into and items stolen.

In addition, waivers can be issued based on different patron programs. These programs include bringing a can of food to the library as a charitable donation, dressing in costume on Halloween, participating in the summer reading program, and receiving a "fresh start," or waiver of fines due to the patron having no prior fine history. We found that the fine that is waived the most at all library locations is a \$5.00 processing fee that is charged when patrons return past-due materials to the library.

Findings and Recommendations

Finding 1: A payment station at the Magna Library was not functioning properly, causing a \$30.00 cash deposit overage at the time of our count.

As part of our audit, we counted funds in library payment stations, where patrons deposit cash or insert credit or debit cards to pay for copies, computer printouts, or document scans. At the Magna Library, we found a \$30.00 cash deposit overage after deducting the expected change fund balance in the machine.

Countywide Policy 1062, *Management of Public Funds*, Section II.F.1 and Section V.C.1 state:

"Each agency shall acquire and maintain the systems and equipment necessary for the accurate receipting, recording, accounting, and safekeeping of public money...All overages shall be deposited into the Agency's depository account and reported on MPF Form 3A, Cash Balance Sheet, MPF Form 11, Cash Over/Short Log, and on the Monthly Report of Cash Receipts."

When we brought the issue to the attention of library management, we were told that they were aware of this issue. The Library Manager stated that the payment station malfunctions sometimes when counting back change to library patrons that had used the machine. Magna Library has tried to remedy the issue by reducing the amount of certain types of coins in the change slots but stated that other mechanical or functional problems may be occurring.

We found that the \$30.00 deposit overage had not been properly recorded on Magna Library's *Cash Over/Short Log*, and that if the machine has had a history of creating deposit overages or shortages, these overages or shortages had not been logged or recorded as well. We were told that since library staff were aware of the problems with the payment station machine, they were not including the overages or shortages with the daily deposits, and the \$30.00 cash overage had been accumulating in the payment station over time.

If library employees do not record deposit overages or shortages when they occur, it creates an opportunity to manipulate cash deposit totals in order to conceal theft. Library employees could fraudulently adjust cash deposit totals when a net deposit overage occurs and pocket the excess cash. We recommend that management at Magna Library ensure that library employees are recording all cash deposit overages and shortages on the *Cash Over/Short Log*. We also recommend that someone who is not involved in the deposit preparation process, preferably a supervisor, is reviewing the log for excessive overages and shortages, or signs of suspicious activity that could be an indication of fraud.

Recommendations

1. We recommend that Magna Library management consider repairing or replacing the payment station kiosk to eliminate excessive cash deposit overages and shortages caused by the machine.
2. We recommend that the current \$30.00 cash deposit overage be deposited in the bank and that all deposit overages or shortages are recorded on Magna Library's *Cash Over/Short Log*.

Agency Response

Agency Response

Library Services Division

Finding 1: A payment station at the Magna Library was not functioning properly, causing a \$30.00 cash deposit overage at the time of our count.

Recommendation(s)	Agree/ Disagree	Action Plan	Target Date
<p>1. We recommend that Magna Library management consider repairing or replacing the payment station kiosk to eliminate excessive cash deposit overages and shortages caused by the machine.</p>	<p>Disagree</p>	<p>We have these payment stations in each of our branches. We are well aware of the issues with reconciling with these machines. We have made the vendor aware of it and they are working on a solution.</p>	<p>N/A</p>
<p>2. We recommend that the current \$30.00 cash deposit overage be deposited in the bank and that all deposit overages or shortages are recorded on Magna Library's Cash Over/Short Log.</p>	<p>Agree</p>	<p>Daily overages or shortages are reported on the over/short log and are deposited in the bank.</p>	<p>9/6/2019</p>