



# OFFICE OF INTERNAL AUDIT ACTIVITY REPORT

## **TASK #18-03, Library Operations**

**DATE OF ENGAGEMENT: February 5, 2018**

### **INTRODUCTION**

In 1895, members of an organization known as the Columbian Club began offering subscription services and a reading room in Boise City Hall. The Club's activities represented the first library-like services to be offered in Boise City. In 1905 services were expanded, and the library was firmly established as the city's Carnegie Library opened its doors. The Carnegie Library continued its service for approximately 65 years; finally closing in 1973 when the current Library site was acquired, renovated, and opened.

Currently, the Boise Public Library (BPL) is made up of the Main Library facility; and four branches. Those branches are sited on State Street, on Overland and on Ustick Roads, and the recently opened Bown branch on East Park Center Blvd. Planning is currently underway to renovate and / or replace the existing Main Library at its current site.

Functionally, BPL is organized into five divisions; Administration, Library Outreach, Main Library Services, Neighborhood Library Services, and Acquisitions and Collections Development. The Library system is currently staffed by a mix of full- and part-time staff that numbers 161 employees in total. 127 of those staff the branches and circulation-related functions, while 34 serve in administrative and support positions.

Library's Mission Statement is:

*"...The Boise Public Library improves community members' quality of life by supporting their efforts to enhance knowledge, realize creative potential, and share ideas and stories..."*

Library embraces the following Values Statement:

*"...We are committed to intellectual freedom, universal access, innovation, and providing a world class experience for all members of the community..."*

To fulfill its mission and abide by its values, Library maintains an extensive collection of hard copy materials covering a wide array of topics and target audiences. The Library also provides electronic access to materials,

## OFFICE OF INTERNAL AUDIT ACTIVITY REPORT

and participates in a “Consortium” that allows library patrons in the region to access materials and services at any of the other member libraries. BPL has also obtained, and is deploying new technologies that patrons may experience. Those include 3-D Printers, Robotics, and Virtual Reality devices; as well as a limited number of Laser Cutters. Additionally, a wide variety of programs targeted to various demographic groups and interests are offered. A sampling of those include a variety of reading programs; as well as others such as Comic Con, Summer Fest, STEM / STEAM, and Coding.

Combined visits to the BPL system in Fiscal Year 2017 exceeded 1.3 million; just under 2.7 million items were borrowed during that time. Additionally, over 112,000 individuals participated in other BPL program and activity offerings. Revenues and expenditures for the three most recent fiscal years were:

<i>Category</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
Revenues *	\$ 610,500	\$ 662,000	\$ 625,000
Expenditures – all Divisions	\$ 9,717,700	\$ 10,604,700	\$ 10,719,100

\* Excludes any revenues carried forward, and contributions from the General Fund.

# OFFICE OF INTERNAL AUDIT ACTIVITY REPORT

## SCOPE AND METHODOLOGIES

The overall purpose of the audit was to gain a reasonable degree of assurance that the control environment within Library, and within its various operational divisions was adequate. Activities should be conducted in an efficient and effective manner; resources should be properly safeguarded; goals and objectives should be met; and activities should comply with applicable policy, law, and/or regulation.

Internal Audit defined the following specific objectives / areas for review and testing during the engagement:

- Perform a high-level financial review; analyze revenues and expenditures by department/division; as well as staffing models, and facility and program utilization rates.
- Determine whether current Library operations are in material compliance with the established legal-regulatory environment.
- Review the Department's major contracts and partnerships. Document the contractual and financial impacts to the City with respect to those partnerships.
- Assess the level of compliance with respect to any restricted gifts or donations.
- Review day-to-day business operations with respect to cash and cash handling; control of circulation materials; and oversight of meeting rooms within the facilities.

Internal Audit established the scope of the review to include all related activity that occurred within the previous two fiscal years; beginning October 1, 2015 and ending September 30, 2017.

Internal Audit utilized methodologies consisting of observations, interviews, detail testing, and analysis to achieve the identified objectives. All activities were planned and conducted to adequately support the findings, comments, and recommendations contained within this report.

# OFFICE OF INTERNAL AUDIT ACTIVITY REPORT

## EVALUATION AND COMMENTS

Based on the work performed, Audit believes Library's various divisions are functioning in a "**Satisfactory**" manner. We reviewed a significant quantity of operational and compliance-related materials, and noted a control structure and accompanying processes that demonstrate Library's ability to fulfill its mission, goals, and objectives. Library is delivering its unique brand of services in both volume and variety.

During our review of Library operations, we noted areas where opportunities for improvement appeared to exist:

Cash Safekeeping Practices – The Library system maintains small operating cash balances at each location. Three of the four branch libraries have undergone staffing changes in the past year, though access controls for cash storage devices may not have been updated. Those access controls should be changed any time relevant staff changes occur.

Room Reservation Forms – All Library locations offer the use of meeting rooms. Some involve a fee, while others do not. Library has created reservation forms that are to be executed for each room reservation. The forms contain important information relative to room use, as well as liability waivers. Forms were not always executed, and some were not locatable.

Additional detail on these issues appears in the following report section titled "Findings and Recommendations" (page 6).

During the review, Audit also provided management with observations and recommendations that were left to their discretion as to if and how follow-up and correction would occur. The more significant of these we communicated as Other Areas of Concern. Those are presented in greater detail in the "Other Areas of Concern" report section that follows (page 9).

*(Refer to **Appendix A** for additional details concerning Internal Audit's existing grading scale.)*

# OFFICE OF INTERNAL AUDIT ACTIVITY REPORT

## FINDINGS AND RECOMMENDATIONS

Audit's Findings are detailed below; including any recommendations that were made, and management's responses to those.

### 1. **FINDING: Cash Safekeeping Practices**

During the review process, Internal Audit visited the Main Library, and all four branches. At each of those locations, we assessed processes in place for cashiering / cash drawers, and for petty cash funds. We also confirmed cash balances that were retained at each location. One area of concern was identified as a result of our inquiries:

- While interviewing the various branch managers, we noted three locations that had experienced some turnover recently, either amongst staff, or at the manager position. Separated staff had possessed combinations to the safes. No combination changes had been pursued as of the date of our review.

This condition poses some risk to Library's resources in that access to cash safekeeping devices should be limited to current designated staff only to better guard against loss.

#### **RECOMMENDATION:**

Both best practice and city regulations require that each time staff changes occur that involve those staff members possessing keys or combinations used to access cash, those keys and / or combinations must be changed. Audit recommends management pursue needed changes to better ensure cash is adequately safeguarded.

#### **MANAGEMENT RESPONSE:**

Combination changes for all three safes were completed.

## OFFICE OF INTERNAL AUDIT ACTIVITY REPORT

### 2. **FINDING: Meeting Room Reservations**

Internal Audit noted issues worthy of management attention while reviewing processes and procedures surrounding room reservations. Based on a review of Reservation Request Forms at various branch libraries, it appears that reservation forms are either not being completed, or are not always readily obtainable.

Library's governing policies, regulations, and public disclosures indicate the importance of the forms, and anticipate that they will be executed for all reservation requests:

*Library's Website – "...Room reservations are considered final only upon the Library's receipt of a completed meeting room form and payment of any applicable fee..."*

*Library Policy Manual, Regulation 7.01a, Section 7 – "...upon approval of an application completed by an adult authorized to act for and bind the reserving group in an agreement with the Library..."*

*Library Policy Manual, Regulation 7.01a, Section 16 – "...individual reserving the room and the group whom such individual represents agrees to pay for all damage to any property of the City of Boise resulting directly or indirectly from the conduct of any member, officer, employee, or agent of the group, or any of its invitees; ... defend and indemnify the City of Boise and the Boise Public Library from and against any and all liability..."*

The forms themselves contain two important certifications that support Library's room reservation policy: (1) Hold harmless and release from liability statements; and (2) Acknowledgement of receipt and review of room rules governing usage.

### **RECOMMENDATION:**

Internal Audit recommends that management review procedures currently in place, and enhance those processes in order to ensure reservation forms are consistently received and are fully executed by reserving parties. Having executed Reservation Request Forms in place not only achieves a higher level of compliance with Library's own Policies and Regulations, but also lowers the Library's risk profile in the event unauthorized or unanticipated events occurred while the rooms are in use by private parties.

## OFFICE OF INTERNAL AUDIT ACTIVITY REPORT

### **MANAGEMENT RESPONSE:**

*Management provided the following responses:*

*"...(management) sent an email to our branch supervisors. I have asked them to make sure their staff know that they must obtain a signed room reservation form whether they are charging a fee or not..."*

*"...Going forward, we will have our room reservation forms signed prior to allowing customers to use the rooms ... attaching the digital form to the Outlook calendar will keep the digital signed copy for 5 years..."*

*"Our new Public Services Manager, ... and our Main Library Manager, ... will share the updated information with the Library supervisors at Leadership Circle meeting. The supervisors will take this to their staff members..."*

# OFFICE OF INTERNAL AUDIT ACTIVITY REPORT

## **OTHER AREAS OF CONCERN**

Internal Audit utilizes "Other Area of Concern" to provide management with feedback on issues noted during a project that appear to deserve additional management attention. Audit issued the following comments during the engagement, with any follow-up left solely to the discretion of management.

### **Compliance with State Statute and City Code**

Library's Board of Trustees By-Laws appear to contain terminology that conflicts with Code and Statute. Relative to Trustee meetings, we noted the following:

- The Board of Trustees By-Laws, Article V, Section 1., states: "...The Board shall meet for business purposes monthly, except as shall be determined in advance..." (*emphasis added*)
- City Code Section 2-04-06 requires the Library Board to "...meet for business purposes at least once a month..." (*emphasis added*)
- Relative to meeting frequency, state statute, Chapter 33-2606, appears to provide supremacy to City Code: "...The board of trustees shall meet at least once in each quarter unless required by city ordinance to meet more frequently..." (*emphasis added*)

With respect to Trustee attendance at Board meetings:

- State Statute 33-2607 (10), "Powers and Duties of Trustees," which requires trustees to attend "...all meetings of the board..."
- Article II, Section 2. of the Board of Trustees By-Laws requires trustees to attend "...a minimum of three-fourths of the regularly-scheduled meetings..."

Internal Audit recommends the Library Board and management consider pursuing changes to either the Code, or the By-Laws as appropriate to resolve these conflicting terms.

### **Management Response**

*Though not required, management provided the following response to the issues noted above:*

## OFFICE OF INTERNAL AUDIT ACTIVITY REPORT

*“...we are in discussions to make sure City Code requirements, Board Bylaw requirements, and State Code are in synch. Especially the meeting attendance requirements. .... We'll be conducting a review next fiscal (year)...”*

### **Relationships with Partnering Organizations**

While reviewing the relationships between Library and the two non-profits that support Library's mission – Boise Public Library Foundation, and Friends of the Boise Public Library – Internal Audit noted the presence of an issue we commented on during our FY11 review of Library Operations that continues to exist.

- Library has for some time provided these two entities with work space in the Main Library building; and continues to do so.
- These two entities recognize Library's address as their place of business in filings with the Secretary of State's office.
- Both are regular participants in Library operations at the governance level (i.e. participation in Board of Trustee meetings), as well as maintaining a presence in day-to-day operations.

As of the date of our review, neither one of these relationships had been formalized through the execution of memos of understanding, or similar agreements.

Given that rights, roles, and responsibilities are not clearly delineated, Internal Audit recommends management review this issue with both Risk Management, and with Library's Legal liaison and determine the need to formalize these relationships.

## OFFICE OF INTERNAL AUDIT ACTIVITY REPORT

### **Specialty Use Items in the Collection**

Audit noted Library has acquired, and makes available to patrons unique specialty items such as 3-D Printers, Virtual Reality devices, and on a limited basis, even Laser Cutters. By their very nature, and given the potential for misuse by patrons, these items may result in the following risks being present at heightened levels:

- Patrons fail to understand or observe the rules of use for these items.
- Potential damage to the items through misuse.
- Increased liability in the event of accident or unanticipated event.

Management indicated some Libraries have implemented the use of agreements for these types of items that address usage, damage, and resulting liability. Boise Public Library has not followed suit, opting for staff monitoring and explanation of any rules for usage.

Internal Audit recommends Library consider obtaining a sample of agreements from peer institutions, determine what best practice might be, and then pursue the implementation of similar measures or agreements. Doing so could mitigate risk in this area.

# OFFICE OF INTERNAL AUDIT ACTIVITY REPORT

## **CONCLUSION**

The Library has created an environment that provides citizens with access to a wide array of information, provides them with opportunities to experience innovative technology, as well as providing the more traditional types of library offerings. Library strives to provide all members of the community with a world class experience. Library delivers services through its physical locations, via its on-line access portals, and through the various reading, art, technology, and culture-related programs it offers to patrons.

Internally, management and staff focus on ways to increase service delivery, and to expand offerings into areas that embrace newer technologies. The summer of 2017 saw the new Bown Library branch's grand opening. Planning is underway for the renovation / replacement of the Main Library branch on Capitol Boulevard. Library's reach continues to grow in terms of both physical access, and diversity of offerings. By pursuing the opportunities for improvement that were identified by Audit during this review, gains in efficiency and effectiveness, and reductions in risk levels may be realized.

Audit would like to extend its thanks to management and staff of the Boise Public Library system for their assistance during this project.

## **MANAGEMENT PARTICIPANTS**

Kevin Booe, Director / Boise Public Library

Denise McNeley, Chief Administrative Officer / Boise Public Library

Lynette Gould, Financial Manager / Department of Finance &  
Administration

# OFFICE OF INTERNAL AUDIT ACTIVITY REPORT

## APPENDIX "A"

### **Evaluation and Grading of Audits**

Each audit will be evaluated or graded, and will receive one of the three following ratings. Grades will be assigned based on the perceived "best fit." Thus, not all attributes associated with an assigned grade may be present within a given Department or Division.

- Satisfactory – No significant weaknesses or operational issues were noted during the audit. If any issues were noted, they did not materially detract from the business unit's ability to deliver services and / or to accomplish defined mission, goals, and objectives. Overall, systems of internal control are effective, and management oversight is adequate and effective.
- Needs Improvement – Weaknesses or issues detrimental to operational efficiency or effectiveness existed within the audited area, and were encountered frequently enough to lose the appearance of "isolated." Issues noted were strongly suggestive of an impaired ability to provide services at needed levels, or to accomplish mission, goals, and objectives successfully. Internal control mechanisms may not be universally in place, implemented, or actively observed. Management oversight is weak.
- Unsatisfactory – Material or significant issues were noted within the operations under review. Issues posed risks that were mission-fatal; the business unit could not successfully deliver services in an acceptable fashion. Management failed to implement appropriate internal control mechanisms. Management oversight is ineffective, absent, or willfully avoided.