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Ms. Shirley Amore, City Librarian  
Denver Public Library  
City and County of Denver

Dear Ms. Amore:

Attached is the Auditor’s Office Audit Services Division’s report of their audit of the Denver Public Library (DPL). The purpose of the audit was to assess the environmental and security controls for DPL’s special collections and to evaluate the efficiency and effectiveness of DPL’s current fundraising activities.

Through the audit, we determined that DPL is not providing appropriate environmental conditions and controls for many of its special collections. Specifically, temperature and relative humidity levels at Central Library and Blair-Caldwell African American Research Library (Blair-Caldwell) do not adhere to best practices designed to prevent these delicate materials from deterioration or other damage. In addition, DPL is also unable to maintain stable environmental conditions at Blair-Caldwell. Also, the lack of an environmental monitoring plan prohibits DPL from fully monitoring these conditions and addressing issues as they emerge. Security controls designed to protect special collections from theft or damage are also lacking for both Central Library and Blair-Caldwell. Finally, we identified several areas in need of improvement regarding DPL’s current fundraising activities and strategy. Fundraising efficiency and administrative costs for fundraising events organized by the Friends Foundation—a non-profit organization that assists DPL with fundraising—could be improved. Auditors also found that the lack of a contract between DPL and the two Friends groups put DPL in a dependent position, and internal controls over donated assets were not adequate.

If you have any questions, please call Kip Memmott, Director of Audit Services, at 720-913-5000.

Sincerely,

Dennis J. Gallagher  
Auditor

cc: Honorable Michael Hancock, Mayor  
Honorable Members of City Council

To promote open, accountable, efficient and effective government by performing impartial reviews and other audit services that provide objective and useful information to improve decision making by management and the people.

We will monitor and report on recommendations and progress towards their implementation.
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To promote open, accountable, efficient and effective government by performing impartial reviews and other audit services that provide objective and useful information to improve decision making by management and the people.
We will monitor and report on recommendations and progress towards their implementation.
AUDITOR’S REPORT

We have completed an audit of the Denver Public Library (DPL). The purpose of the audit was to assess the environmental and security controls for DPL’s special collections and to evaluate the efficiency and effectiveness of DPL’s current fundraising activities.

This performance audit is authorized pursuant to the City and County of Denver Charter, Article V, Part 2, Section 1, General Powers and Duties of Auditor, and was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit found that DPL’s environmental and security controls and conditions were not adequate to ensure the long-term preservation of the special collections. In addition, DPL’s current fundraising activities can be improved as well as improved internal controls for recording donated assets.

We extend our appreciation to the management and personnel who assisted and cooperated with us during the audit.

Audit Services Division

Kip Memmott, MA, CGAP, CRMA
Director of Audit Services
Background
The Denver Public Library’s (DPL) mission is to connect people with information, ideas and experiences to provide enjoyment, enrich lives and strengthen the community. Through its Central Library and 24 branch libraries, DPL provides citizens of the Denver area with a variety of services including public access computers, skills training, after-school and summer reading programs, literacy courses, and circulating collections of books, movies, and music. In addition, two libraries – Central Library and Blair-Caldwell branch library – maintain special collections that document Colorado’s place in the history of the American West among other areas. Both libraries receive additional funding assistance from two distinct non-profit Friends organizations to help support operations and the special collections.

Purpose
The purpose of the audit was to assess the environmental and security controls for DPL’s special collections and to evaluate the efficiency and effectiveness of DPL’s current fundraising activities.

Highlights
Environmental conditions and controls at both the Central Library and the Blair-Caldwell African American Research Library (Blair-Caldwell) are not adequate. Testing of the temperature and relative humidity levels of some special collections areas found significant deficiencies in the temperature and relative humidity conditions provided by DPL. Furthermore, temperature and humidity levels at Blair-Caldwell were not stable during the three months we analyzed. Inappropriate and fluctuating environmental conditions can lead to the deterioration of these unique special collections. Other risks to the special collections include the potential for water damage and the lack of an internal policy for the maintenance and protection of these collections.

Several security-related deficiencies leave certain special collections vulnerable. DPL does not fully control or monitor public and staff access to certain special collections and it does not adhere to a variety of best practices that help ensure special collections are protected including regular inventory checks.

Through the Friends Foundation, DPL has heavily relied on two types of fundraising events that could be more cost effective. Other findings include improper internal controls for donated assets to DPL and the lack of formal written agreements between DPL and its Friends organizations. These deficiencies reduce DPL’s ability to optimize its fundraising potential and to maintain accountable and transparent processes for donation revenue.
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INTRODUCTION
& BACKGROUND

History of the Denver Public Library

The Denver Public Library (DPL) has served as a valuable community resource since the late nineteenth century. One small wing of a local high school has transformed into the robust library system of today, which consists of the Central Library and twenty-four branches throughout the City housing a collection of over four million books, periodicals, and other publications. In 1889, DPL occupied only one wing of Denver High School and in 1910 the first central library building opened in Civic Center Park.¹ This building is still standing today and is commonly known as the McNichols Building after former Denver Mayor William H. McNichols, Jr. Later, Andrew Carnegie provided additional funding for Denver’s first eight branch libraries. The main library and the eight branches served the citizens of Denver for forty-five years before the new Central Library located on the corner of 14th Avenue and Broadway opened its doors in 1956. Over the next twenty years, new branch libraries have been built to keep pace with Denver’s rapid growth.

By the late 1980s, the Central and branch libraries had outgrown their facilities forcing DPL to store about three quarters of the collections in basements and warehouses. To address the storage issues and the emerging information technology era, voters approved a $91.6 million bond initiative in 1990 to enlarge the Central Library as well as expand, renovate, and build new branch library buildings. This bond initiative created the current Central Library building, a 540,000 square-foot, seven-floor building, which opened in 1995.² The expanded structure allowed DPL to house all its resources. DPL later added more than 900 computers for public use across the entire library system. With funding available through the Better Denver Bonds Initiative, DPL also built computer labs for education and training purposes. In addition to the public spaces, there are multiple areas for administrative offices and storage for their special collections. In 1997 world leaders met at the Central Library for the Denver Summit of The Eight.³

¹ Philanthropist Andrew Carnegie funded the first central library building in Denver.
² The Denver Central Library building was designed by Michael Graves and the Denver firm of Klipp Colussy Jenks DuBois Architects, P.C.
³ World Leaders at the 23rd Summit of The Eight included U.S. President Bill Clinton, President Jacques Chirac of France, Prime Minister Jean Chretien of Canada, Prime Minister Romano Prodi of Italy, President Jacques Santer of the European Union,
for the meeting to seat the participating world leaders has a permanent home in the library’s Commission Room on the seventh floor and can be viewed when the room is not in use.

**Denver Public Library Mission**

The mission of DPL is to connect people with information, ideas, and experiences to provide enjoyment, enrich lives, and strengthen the community. To accomplish this mission, DPL leadership developed seven internal objectives that facilitate three Community Impacts. The first Community Impact is to immerse children from birth in literacy-rich environments where they discover the joy of reading and learning, and are motivated to achieve and graduate from high school. The second Community Impact focuses on improving people’s lives by helping them to acquire the resources and skills needed to prosper and contribute to Denver’s economy. The final Community Impact aims to enrich people’s lives by providing resources for reading, learning, and engaging in experiences that make Denver a better place to live.

**Organizational Structure**

The organizational structure of DPL is in place to assist library management in executing their mission and to make a positive impact on the community. The Library Commission (Commission), the City Librarian, and five department directors manage the library system. The Commission oversees the policies, operations, and funding of the DPL system in addition to administering gifts and trusts given to the library. The final authority for DPL rests with the eight-member, Mayor-appointed Commission whose members serve four-year terms. The City Librarian, who is hired by and reports to the Commission, provides executive, administrative, and strategic leadership and manages the library with assistance from each department director. Internal operations and services are administered through five departments that support the Central Library and twenty-four branch libraries.

- **Administrative Services**—Manages human resources, security, and facilities management, including any repairs and custodial activities, at the Central and branch libraries.

- **Collections and Technology**—Primary activities include purchasing books and other collection materials, processing and cataloging books, audiovisual material, and online resources for adults and children, collections development,
and interlibrary loans. Responsibilities also include maintaining the library’s technology needs such as online services and providing and maintaining public access to computers at all library locations.

- **Community Relations**—Key activities consist of marketing, communication and community outreach to educate and inform the public regarding library services as well as publishing and designing library marketing material. The department also works in conjunction with the Denver Public Library Friends Foundation to develop DPL’s private fundraising efforts.

- **Finance and Planning**—Provides financial support and oversight of DPL financial activities and reporting. Activities also include budgeting, purchasing, accounting, and financial planning.

- **Public Services**—Includes professional, paraprofessional, and clerical staff who provide customer service, maintain the book and audiovisual collections, and conduct and coordinate programs for families and patrons. Public Services also operates bookmobiles that provide weekly service to Denver Public Schools.

### Central and Branch Library Services

A multitude of services, activities, and programs are provided by DPL through the Central Library, twenty-four branch libraries, and two bookmobiles that visit retirement communities and elementary schools. At each location, citizens can check out books and audio visual materials, obtain answers to informational questions, attend a variety of classes that offer activities ranging from academics to crafts, and utilize library facilities and technology. More specific resources include the following:

- **Patent and Trademark Information**—DPL has the only Patent and Trademark Resource Center in Colorado, which is free for citizens and is staffed by a librarian.

- **Programming**—DPL provides a diverse selection of classes that cater to citizens of all ages, including book clubs, story time activities, and computer classes for job seekers.

- **Services**—One-on-one appointments can be made for a variety of services. For example, a student can meet with a librarian and receive assistance researching a school project and teachers can use teacher sets, which are librarian selected material made to order for the classroom. Citizens who are homebound and have physical limitations can receive services that bring library materials to their homes. In August 2013, DPL launched DPL Connect, which is a pedal-powered mobile library delivering library services to the community. This new concept provides an internet hotspot as well as books tailored to the bike’s location.

- **Technology**—DPL provides computers, printers, wireless internet access, and meeting rooms, which can be reserved for a minimal fee.

In 2013, DPL contracted with a consultant to conduct a study of the active and potential usage patterns of users and non-users of DPL services. Using this information, DPL will

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5 See Appendix A for a branch library list.
revise its strategic plan to ensure that the products, programs, and services provided at each branch library are suited to the needs of their respective users.

Funding

DPL's 2013 budget is approximately $39 million, 95 percent of which comes from the City's general fund; the remaining 5 percent is generated through donations and state and federal grants. After the passage of Ballot Initiative 2A in November of 2012, DPL received an additional $3.1 million in funding, which was used to restore branch library hours that experienced severe cuts during the recent recession.

Fundraising—In addition to the general fund, DPL receives supplementary funding through the fundraising activities of the DPL Friends Foundation (Friends Foundation) and library staff. The mission of the Friends Foundation, which was established in 1940, is to assist and support DPL in the accomplishment of its goals and objectives, and to enhance the services of the library through advocacy, activities and programs, fundraising, and the management of private monies donated to the library or to the Friends Foundation. The Blair-Caldwell African American Research Library (Blair-Caldwell) has a separate friends foundation—Friends of Blair-Caldwell—that supports Blair-Caldwell through private donations.

Volunteer Resources—DPL receives overwhelming and vital volunteer support from the community. For example, volunteers donate their time to assist the library with teaching computer classes and conducting library tours as well as processing library materials and other behind-the-scenes assignments. In 2012, more than 1,700 volunteers contributed over 106,000 hours of their time to assist DLP in providing services to the community. This is equivalent to adding fifty-one full-time employees for a total value of over $2.3 million in wages.

Special Collections

In addition to housing books, periodicals, and other materials generally managed by public libraries, DPL maintains two archival collections and research libraries which include valuable historic artifacts such as photographs, maps, manuscripts, and art. Central Library maintains DPL's Western History/Genealogy collection, some elements of which are displayed throughout the Central Library and at the Denver Art Museum. Blair-Caldwell houses the African American Research Library (AARL). Some special collection materials are accessible in the stacks while others require supervised access to protect the delicate materials from damage.

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6 As of March 31, 2013, Denver Public Library’s budgeted revenues for 2013 equaled $39,119,345. The General fund contributed $37,299,753 while donations (including transfers from the Friends Foundation and miscellaneous revenues) added $1,674,927. Grants contributed an additional $144,665.

7 Ballot Initiative 2A passage allowed Denver to retain and spend tax dollars that the City was previously required to give back in order to maintain the state-mandated revenue limits as prescribed by the Taxpayer Bill Of Rights (TABOR).

8 The Independent Sector organization provided the value of volunteerism at the hourly rate of $21.79 as of 2011.
or theft. The City and County of Denver has appraised these unique materials for insurance purposes. However, due to the rarity of many items and their constantly fluctuating values it is difficult to assign a dollar value to the individual collections.

**The Western History Collection**—Introduced to the public in 1935, this collection has over 200,000 books, atlases, maps, and microfilm in addition to approximately 600,000 photographs that relate to the West. The collection also offers historians western art and prints of the West such as a studio portrait of Annie Oakley. A variety of manuscript collections are also part of DPL’s Western History archive including materials from the 10th Mountain Division, the recently acquired Rocky Mountain News Archive, as well as records from Denver Public Schools, Denver Parks, and Building and Neighborhood History to name a few.

**The Genealogy Collection**—Established in 1910, this is considered the second largest genealogy collection between the Mississippi River and the West Coast. The collection consists of books, microfilm, magazines, charts, clippings, and manuscripts.

**African Americans in the West**—Housed at the Blair-Caldwell branch library this collection includes exhibits that provide educational and cultural resources focusing on the history, literature, art, music, religion, and politics of African-Americans in Colorado and throughout the Rocky Mountain West. The first floor includes the full service branch library while the second and third floors contain the archives collection, research library, and the Western Legacies Museum, respectively.

Table 1 highlights a selection of unique items from DPL’s special collections.

<table>
<thead>
<tr>
<th>Table 1: Select Items from Denver Public Library’s Special Collections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Photos of 1964 Beatles concert at Red Rocks Amphitheatre</td>
</tr>
<tr>
<td>First edition of the Book of Mormon</td>
</tr>
<tr>
<td>Early manuscript of Aldo Leopold’s Sand County Almanac</td>
</tr>
<tr>
<td>Pikes Peak Gold Rush Diary of 1859</td>
</tr>
<tr>
<td>Early Colorado Territorial Letters from mid-1800s</td>
</tr>
<tr>
<td>Manumission (emancipation) papers from 1830s</td>
</tr>
<tr>
<td>Diary describing Colorado flu epidemic of 1918</td>
</tr>
</tbody>
</table>

Source: Interviews with Denver Public Library staff.

**Environmental and Security System**

In 2000, DPL upgraded to the Andover Continuum (Andover) facility management system. Andover assists the library with environment, lighting, and security controls throughout the Central Library and some of the twenty-four branch libraries as well as sewage and drainage monitoring. The Andover system is installed at the Central Library and it allows Facilities Department staff to monitor conditions at other branch libraries from one central location. However, not all library buildings are connected to the entire
suite of Andover's capabilities, while others are not connected to the management system at all. For example, nine of twenty-four branches are connected to Andover's remote, automated environment control capabilities. The Andover system controls the environment and lighting at three additional libraries including Central Library and Blair-Caldwell branch library. Finally, Central Library is one of just three buildings that are connected to the security automation function which includes surveillance monitoring through closed circuit television, and access control over doors through the use of card readers. Currently, there are eleven libraries that are not connected to the Andover system. Andover is particularly important for Central Library and Blair-Caldwell branch library as a method to monitor the temperature and humidity in the libraries to ensure that the special collections are maintained at specific temperatures and humidity levels and secure from unauthorized access.

SCOPE

The scope of the audit focused on internal controls regarding the environment and security of DPL special collections located at the Central Library and the Blair-Caldwell branch library. We also focused on fundraising activities and applied strategies.

OBJECTIVE

The objectives of the audit were to:

- Determine the effectiveness of DPL's environmental controls to maintain special collections located in the Central Library and the Blair-Caldwell branch library
- Determine the effectiveness of DPL's security controls for special collections located at the Central Library and the Blair-Caldwell branch library
- Assess current DPL fundraising activities and strategy

METHODOLOGY

The audit team used the following methodologies during the audit:

- Interviewing senior DPL management to understand their responsibilities, DPL's mission, and DPL operations and associated risks
- Interviewing the Special Collections Librarian at Sam Houston State University to learn about special collections and issues related to special collection maintenance and preservation
- Analyzing industry standards regarding special collections environment and security measures to understand characteristics of and best practice for libraries
- Reviewing DPL’s Strategic Plan to identify operational goals and objectives
• Reviewing DPL’s policies regarding special collections including accession and deaccession activities, environmental and security controls, and inventory procedures9

• Testing special collections inventory tracking systems to determine accuracy and completeness of records

• Observing environmental and security controls at the Central Library and two branch libraries to assess the existing control structure

• Interviewing the Regional Archives Director of the National Archives at Denver and touring the National Archives facility to gain an understanding of federal practices for preserving and securing archived materials

• Interviewing the City Librarian with the Los Angeles Public Library to obtain common and best practices for public libraries that maintain special collections

• Analyzing environmental monitoring data to identify temperature and humidity trends in special collections storage and exhibit areas at the Central Library and the Blair-Caldwell branch library

• Obtaining real-time environmental data for special collections storage and exhibit areas to assess the special collections environment

• Interviewing City Risk Management personnel to determine value of DPL special collections and the insurance requirements for insuring the special collections

• Reviewing the status of implementing recommendations and goals from the 2007 Conservation Center for Art and Historic Artifacts Report

• Reviewing and evaluating access controls for the Polaris inventory database and other special collections inventory documents

• Reviewing DPL’s current fundraising policies and strategy

• Interviewing DPL staff to gain an understanding of the fundraising strategy including the role of both Friends Foundations

• Interviewing the City Attorney regarding the pending contract negotiations between DPL and the Friends Foundation to learn about fundraising and financial expectations and any associated risk

• Reviewing and analyzing financial records of DPL’s Friends Foundation and Friends of Blair-Caldwell to evaluate fundraising efficiency

• Reviewing City Fiscal Accountability Rules related to proper valuation and recognition of donations and fixed assets

• Conducting benchmarking with universities, and both public and private libraries with special collections of similar breadth and value to evaluate the

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9 Accessioning is the process of acquiring and documenting new records or materials. Deaccessioning refers to the permanent removal of one or more items from a collection. Typically, deaccessioning occurs if an item is not related to the theme or mission of a collection, if it is a duplicate, or if it is too deteriorated to be of value to researchers. Methods of deaccession include sale, exchanges or transfers to other institutions, or destruction.
environmental conditions and security of special collections and to gain information regarding fundraising strategy. We contacted the following institutions during our survey:

- District of Columbia Public Library
- Huntington Library, Art Collections and Botanical Gardens
- Los Angeles Public Library
- Nashville Public Library
- University of New Mexico
- University of Oklahoma
- University of Wyoming

Audit Services Division’s management and the audit team extend our gratitude to former Mayor Wellington Webb, and his staff, for meeting with the team and providing auditors with additional information on the Blair-Caldwell branch library and the Friends of Blair-Caldwell.
FINDING 1

Denver Public Library’s Special Collections Are Not Maintained under Adequate Environmental Conditions and Controls

Denver Public Library (DPL) provides Denver area residents with an extensive collection of books, movies, and music in addition to a variety of services and programs such as career training and after-school and summer programs. However, DPL also maintains two significant special collections at its Central Library and Blair-Caldwell African American Research Library (Blair-Caldwell). DPL’s Western History/Genealogy (WHG) collections are housed at the Central Library and Blair-Caldwell maintains the African American Research Library (AARL) collection. Unlike DPL’s other collections, special collections must be maintained under strict environmental conditions to ensure the fragile historical materials are preserved.

Our analysis of best practices and information gathered from experts and other facilities that house special collections found that the WHG and AARL collections are exposed to environment-related threats that could jeopardize the preservation of DPL’s collections. Specifically, DPL’s special collections are vulnerable to damage from inappropriate and inconsistent temperatures and relative humidity levels as well as water damage. Further, DPL has not established a plan to ensure that its building automation system is being used for effective, comprehensive environmental monitoring.

Guidelines for Preserving Special Collections—A variety of professional organizations publish guidelines for the preservation of special collections. The guidelines include specific temperature and relative humidity ranges that institutions with special collections should adhere to when housing these delicate materials. These environmental specifications vary depending on how the space is utilized. For example, areas used only for storing special collections (storage) should be maintained at slightly more restrictive settings while mixed-use or exhibit areas that both store collections and house staff or public spaces are usually set at less restrictive levels. DPL has chosen to follow the environmental specifications recommended by the Conservation Center for Art and Historic Artifacts (CCAHA). However, for audit purposes, the team utilized other professional guidelines that are slightly less restrictive and include recommendations for temperature and relative humidity based on the use of each area. Table 2 lists specific environmental specifications recommended by professional organizations, including

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10 The guidelines reviewed by auditors were published by the following organizations: National Archives and Records Administration (NARA), National Information Standards Organization (NISO), Northeast Document Conservation Center (NDCC), the Society of American Archivists (SAA), the Association of College and Research Libraries (ACRL), and the American Library Association (ALA).

11 Auditors used specifications published by NARA, NISO, NDCC, and SAA.
To assess the environmental conditions in DPL’s special collections areas, these temperature and relative humidity ranges were compared against the environmental measurements taken by the audit team.

| Table 2: Recommended Environmental Specifications for Special Collections Preservation |
|---------------------------------|-----|-----|-----|-----|
|                                 | Storage | Mixed Use | Exhibit | CCAHA |
| Temperature (°F)                | ≤ 65   | ≤ 70     | ≤ 72    | 65 (+/- 2 to 3) |
| Relative Humidity (%)           | 30 to 50 | 30 to 50 | 45 to 55 | 45 (+/- 3 to 5) |


Special Collections Are at Risk Because Denver Public Library Has Not Fully Developed its Environmental Control and Monitoring Capabilities

Auditors found that DPL’s ability to preserve its special collections is at risk due to challenges regulating temperature and relative humidity. DPL’s special collections will continue to be at risk until an environmental monitoring plan is developed that sets forth environmental standards and guidelines for responding to environment-related threats.

To preserve special collections that include sensitive materials such as artifacts, paper, film, paintings and photographs, specific environmental conditions must be maintained. Since heat accelerates deterioration, cooler temperatures are required to preserve materials over the long-term. Similarly, high levels of relative humidity—or the amount of moisture that the air contains at a given temperature—trigger chemical reactions that can damage delicate materials. Stability of temperature and relative humidity is also critical. For example, changes in humidity cause materials to expand and contract which can lead to warping or cracking.

The Andover Continuum (Andover) facility management system allows the Facilities Department to control the environment of some DPL facilities. The system is designed to maintain temperature and humidity levels within all library buildings that are connected to the system according to set points programmed by the Facilities Department. When environmental conditions deviate from these set points, the system generates an alarm notification that alerts staff to the changing conditions. Although the Central Library and Blair-Caldwell branch library are connected to the Andover system’s environmental control capabilities, the system does not monitor the environment for all special collections areas. Specifically, certain areas at the Central Library are not monitored by the system and Andover cannot control or monitor the relative humidity at Blair-Caldwell.

In 2007, DPL participated in a preservation needs assessment of its special collections conducted by the CCAHA. Central Library’s WHG collections and the AARL collections

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12 CCAHA guidelines describe the ideal conditions for paper-based and textile collections storage. No usage-based specifications are included (i.e., storage vs. exhibit).
housed at Blair-Caldwell were both included in the needs assessment, which culminated in a report that included approximately sixty recommendations as well as nineteen specific goals. The goals were intended to facilitate the WHG Department’s preservation planning process and to ensure that CCAHA recommendations were implemented in a timely manner. Six years after the assessment, DPL has taken steps to partially implement about two-thirds of the goals but they currently have no plans to address the remaining one-third.

Among the deficiencies discovered during the 2007 assessment that have not been addressed by DPL were problems with the heating, ventilating, and air conditioning (HVAC) systems at Central Library and Blair-Caldwell. Specifically, assessors found that DPL was not maintaining proper temperature and relative humidity levels in the special collection areas at Central Library. Further, excessively low humidity levels at Blair-Caldwell were deemed a significant hazard for the AARL collections. As a result, the assessment report included recommendations that DPL should update or install new HVAC systems capable of maintaining appropriate environmental conditions and take action to stabilize temperature and humidity levels in three specific storage areas. However, DPL management communicated to auditors that limited funding has hindered their ability to make recommended improvements and they have no current plans to implement these improvements.

Providing Appropriate Temperatures and Relative Humidity Levels for the Special Collections Continues to be a Challenge for Denver Public Library—Six years after receiving expert recommendations regarding the preservation of DPL’s special collections, problematic environmental conditions persist. Auditors collected temperature and relative humidity measurements from most of DPL’s special collections areas to determine the extent to which conditions matched levels recommended by professional organizations. Specifically, we recorded the temperature and relative humidity of ten areas—six mixed-use or exhibit areas and four storage rooms. Table 3 details measurements recorded by the audit team.

13 Short-term goals were designed to be completed within twelve months. Completion timeframes for the medium-term goals and long-term goals were set for one to three years and three to eight years, respectively.
14 The team used an Amprobe Temperature Humidity Meter (TH-2A) to measure temperature and a Bacharach Sling Psychrometer to measure relative humidity.
Table 3: Temperature and Relative Humidity Measurements Recorded in WHG and AARL Collections (bold text indicates measurements outside of the allowable ranges)

<table>
<thead>
<tr>
<th>Area</th>
<th>Recorded Temperature (°F)</th>
<th>Recommended Temperature</th>
<th>Recorded Relative Humidity (%)</th>
<th>Recommended Relative Humidity</th>
</tr>
</thead>
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<tr>
<td><strong>Central Library (WHG)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Storage</td>
<td>73</td>
<td>≤ 65</td>
<td>55</td>
<td>30-50</td>
</tr>
<tr>
<td>Storage</td>
<td>72</td>
<td>≤ 65</td>
<td>48</td>
<td>30-50</td>
</tr>
<tr>
<td>Storage</td>
<td>72</td>
<td>≤ 65</td>
<td>54</td>
<td>30-50</td>
</tr>
<tr>
<td>Mixed Use</td>
<td>70</td>
<td>≤ 70</td>
<td>48</td>
<td>30-50</td>
</tr>
<tr>
<td>Mixed Use/Exhibit&lt;sup&gt;15&lt;/sup&gt;</td>
<td>74</td>
<td>≤ 72</td>
<td>46</td>
<td>45-55</td>
</tr>
<tr>
<td>Mixed Use/Exhibit</td>
<td>75</td>
<td>≤ 72</td>
<td>46</td>
<td>45-55</td>
</tr>
<tr>
<td><strong>Blair-Caldwell (AARL)</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Storage/Mixed use&lt;sup&gt;16&lt;/sup&gt;</td>
<td>76</td>
<td>≤ 70</td>
<td>62</td>
<td>30-50</td>
</tr>
<tr>
<td>Mixed use</td>
<td>77</td>
<td>≤ 70</td>
<td>54</td>
<td>30-50</td>
</tr>
<tr>
<td>Exhibit</td>
<td>78</td>
<td>≤ 72</td>
<td>58</td>
<td>45-55</td>
</tr>
<tr>
<td>Exhibit</td>
<td>79</td>
<td>≤ 72</td>
<td>56</td>
<td>45-55</td>
</tr>
</tbody>
</table>

Source: Recorded measurements obtained by audit team; see source information in Table 1 for origin of recommended temperature and relative humidity settings.

As Table 3 illustrates, DPL is not providing appropriate temperature and relative humidity levels for the majority of its special collections. It is also evident that the Central Library is less able to provide appropriate temperatures than it can relative humidity, and no special collections areas at Blair-Caldwell fall within the recommended ranges. In fact, several exceeded appropriate environmental conditions by six or more units of measure. If the audit team had compared these recorded temperatures against the more stringent CCAHA recommended levels that DPL purports to follow, the result would be even worse; none of the areas tested fell within the CCAHA parameters for appropriate temperatures.

Auditors recorded these measurements on a relatively humid day, which underscores the importance of having a separate HVAC system for special collections areas. The humid outdoor conditions likely would not have affected the measurements obtained by the team if DPL’s facilities and HVAC systems could adequately protect against and adapt to changing conditions. Utilizing a separate HVAC system for special collections areas is a best practice cited by several industry sources. In addition, the City Librarian with the Los Angeles Public Library confirmed that separate HVAC systems are a fundamental requirement for any facility with special collections.<sup>17</sup> Due to the recent recession, reduced funding has likely limited DPL’s ability to invest in additional HVAC systems.

<sup>15</sup> Two areas at Central Library serve a dual function as both an exhibit area and a space for public use of the collections. As such, we opted to use the less stringent “exhibit” measure to assess the environmental conditions of these areas.

<sup>16</sup> Blair-Caldwell’s special collections storage area also houses a staff work area. Therefore, it was included in the “mixed use” category even though it could be considered part of the “storage” category due to the materials stored in the room.

<sup>17</sup> The Los Angeles Public Library’s (LAPL) City Librarian served as Director for four other public library systems with special collections before joining LAPL.
However, as this analysis shows, DPL will continue to struggle to provide appropriate environmental conditions for its special collections without significant improvements to its HVAC capabilities. Utilizing an HVAC system that can successfully achieve recommended temperature and humidity level is only part of the challenge; keeping these environmental conditions stable over time is also critical.

**Maintaining Stable Temperature and Humidity Levels Is Also a Challenge for Blair-Caldwell**—Similar to the deficiencies identified during the 2007 CCAHA environmental conditions assessment, auditors determined that DPL also struggled to keep temperatures and humidity levels stable in some special collections areas. Auditors analyzed data from April to June 2013 collected by the Andover system, which generates alarms any time the measured temperature or relative humidity strays outside of the set points. We analyzed the frequency of each type of alarm notification generated by the system to determine how stable the temperature and relative humidity levels are at Central Library and Blair-Caldwell. Table 4 lists the set points used for the special collections areas.

<table>
<thead>
<tr>
<th>Table 4: Environmental Set Points in Andover Continuum System</th>
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<tbody>
<tr>
<td><strong>Temperature (°F)</strong></td>
</tr>
<tr>
<td>Central Library (WHG)</td>
</tr>
<tr>
<td>Blair-Caldwell (AARL)</td>
</tr>
</tbody>
</table>

Source: Denver Public Library Facilities Department.

At Central Library, approximately 40 percent of the alarm notifications generated during the three-month period indicated the temperature had deviated from the set points. However, the vast majority of those deviations were quickly corrected by the system; only 1 percent of the alarm notifications indicated that the temperature had strayed above or below the set points for fifteen minutes or more. Also, only 1 percent of the alarms related to fluctuations in relative humidity during this period. The low number of prolonged deviations in temperature and fluctuations in relative humidity suggest that the environmental conditions in Central Library’s monitored areas were relatively stable during the three months we reviewed. However, auditors could not judge the environmental stability for three of the more than thirteen special collections areas at Central Library because DPL does not currently have environmental monitoring equipment installed in these areas.

In contrast, auditors determined that more than three times the number of environment-related alarms occurred at Blair-Caldwell as compared to Central Library during the same three-month period. Moreover, the system generated over 4,000 alarms related to temperature deviations outside of the Andover set points of 72 to 76 degrees Fahrenheit. Not only does this represent more than four times the number of similar alarms at Central Library but the temperature set points exceed the recommended temperature settings.

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18 Although this relative humidity level is below recommended levels described in Table 2, the Andover system set points for relative humidity at Central Library are still within allowable levels.

19 The set points for temperature at Blair-Caldwell exceed those recommended in Table 2 because the special collections storage area at the branch library also houses staff. Therefore, the set points are slightly higher to keep staff more comfortable. Also, no set points are listed for Blair-Caldwell because DPL is not able to control the relative humidity levels for this building.
According to best practices, facilities should continually monitor environmental conditions to ensure special collections are being adequately preserved. Although most of these temperature deviations were corrected by the system, the sheer number of alarm notifications suggests that the HVAC system at Blair-Caldwell does not maintain stable temperatures. In addition, the HVAC system at Blair-Caldwell does not allow DPL staff to control the relative humidity or maintain steady humidity levels. Through the 2007 preservation needs assessment, DPL was notified that the relative humidity measured at Blair-Caldwell was so low that it posed a significant threat to the preservation of the collections. During our review, the special collections storage area was measured at 62 percent relative humidity which exceeds the recommended levels noted in Table 2. Since DPL has yet to install a humidifier to correct and stabilize the building’s humidity levels, the high humidity reading collected by the audit team is likely related to the humid conditions in Denver on the day the recording was taken as well as insufficient building insulation. This suggests that the HVAC system at Blair-Caldwell is not able to compensate for variations in the outdoor environment, which can lead to deterioration of the special collection materials.

According to experts in the archival and collection preservation field, unstable temperatures and relative humidity levels are contributing factors to the deterioration of special collections over time. Although the damage may not be immediately visible, DPL’s inability to house special collections according to recommended environmental conditions undermines DPL’s ability to preserve these unique materials for future generations and to ensure that the citizens of Denver, as well as visitors, have the opportunity to access and to appreciate the rich cultural history of the American West available at DPL.

Denver Public Library Has Not Established a Plan to Facilitate Effective and Comprehensive Environmental Monitoring through its Building Automation System—Despite the size and importance of DPL’s special collections, DPL has not developed a process or internal policy to guide the environmental monitoring of the special collections areas. The monitoring equipment installed does not provide comprehensive monitoring of all special collections, the Andover system data is not reviewed or analyzed on a regular basis, and there are competing priorities between management in the Facilities and WHG Departments. Through developing and implementing an environmental monitoring plan, DPL could expand the areas being monitored, establish a strategy for analyzing the environmental data, and coordinate response expectations to alarm messages generated by the Andover system.

Currently, some special collections areas at Central Library—two storage areas and one mixed-use and exhibit area—are not being monitored through the Andover system. According to best practices, facilities should continually monitor environmental conditions to ensure special collections are being adequately preserved. Although the cost to acquire and install the monitoring equipment has limited DPL’s ability to connect all special collections areas to the Andover system, other stop-gap measures could be used to ensure that staff can monitor environmental conditions and respond to fluctuations as needed. For example,
portable data-loggers can be utilized to measure and record temperature and relative humidity levels for those areas not connected to the Andover system. Through an environmental monitoring policy, a rotation schedule could be implemented that allows DPL to increase its monitoring capacity to all special collections areas.

Although the Andover system allows Facilities Department staff to generate trend logs and other environmental data reports, this data has not been analyzed or reviewed on a regular basis. Professional organizations assert that generating and analyzing reports with temperature and relative humidity data for special collections areas are necessary processes to identify potential problems. Furthermore, these analyses may help demonstrate recurring problems related to maintaining the appropriate environmental conditions. These experts also recommend that one staff member should be responsible for monitoring environmental data, with a designated back-up. DPL staff could use the results of environmental data analyses to demonstrate the facility’s need for additional support, whether in the form of direct financial support or equipment donations. For example, a review of the Andover system’s environment-related alarms could highlight that a high number of alarms were associated with a specific air-handling unit serving a critical special collections storage area. This would allow staff to proactively investigate this pattern, quickly assess any potential concerns, and possibly prevent mechanical failures. Facilities Department staff cited a learning curve associated with implementing and utilizing the Andover system as one reason why DPL’s Facilities and WHG Departments have not taken full advantage of this environmental data.

An environmental monitoring plan would also help resolve conflicting priorities related to staff responses to Andover system alarms. DPL’s Facilities Department considers temperature deviations below the system set points a threat because of the potential for the system to develop frozen coils, which can damage the air-handling units. However, the opposite is true for special collections. Cooler temperatures are preferable; deviations in temperature above the system’s set points can expose the special collections to conditions that could damage the materials. Therefore, Facilities and WHG management should work together to establish response priorities for Andover alarms related to temperature deviations and to incorporate this guidance into the special collections environmental monitoring plan. This would ensure that all potential risks related to environmental conditions are considered and that staff consistently respond to both types of concerns. Other aspects of an effective environmental monitoring plan would include documentation of the location of all environmental monitoring equipment and maintenance requirements.

The Special Collections Are Vulnerable to Environmental Risks Related to Building Design

Central Library, in its current location, was built in 1956 to replace the first central library building funded by Andrew Carnegie that was originally located in Civic Center Park. In 1995, DPL renovated and expanded the Central Library with bond funding. Several years ago, DPL made
additional updates to the building by remodeling the fifth floor to improve the security of its special collections areas. Despite these updates, a variety of building-related factors pose a threat to the WHG collections stored at the Central Library. Even though Blair-Caldwell was built just ten years ago, similar design flaws threaten the AARL collections.

Auditors observed several water-related risks at both locations. At Central Library, exposed water pipes run throughout the ceiling of the sixth floor storage area and staff restrooms are located within a different special collections storage area. Should these plumbing pipes leak or burst, significant amounts of the special collections could be damaged. In addition, freezers storing temperature-sensitive materials are located in a separate storage room housing some of the more valuable and rare materials. Should DPL experience a prolonged power outage, the thawing freezers could flood the area and harm these fragile materials.

Similar issues were uncovered at Blair-Caldwell. Both restrooms and a kitchen area are located adjacent to the special collections storage area. Additionally, we observed water stains on ceiling tiles in the storage area that are evidence of a burst HVAC pipe. Although the pipe was repaired, the stained tiles demonstrate that collections are at risk of sustaining water damage due to the location of water pipes above the storage area. Professional standards recommend against locating water piping above or adjacent to special collections storage areas; preventative measures such as water leak detectors should be installed as a temporary solution. Additionally, restrooms and lunchrooms should never be adjacent to or located over special collections areas due to the same water-related risks.

At Central Library, the size of the special collections and a lack of space planning are contributing factors to these building-related risks. Approximately fourteen years ago, the special collections previously occupied less than half of the building space than the collections currently occupy. Furthermore, decisions regarding where to store collections are based on making use of available space instead of selecting storage space based on appropriate environmental conditions. At Blair-Caldwell, the design of the building did not take into account the unique conditions necessary for storing and providing public access to special collections. Specifically, storage space and HVAC system needs were overlooked when planning and constructing the library.

Inconsistent environmental conditions and inappropriate use of space significantly limit DPL’s ability to protect the special collections over the long-term. To correct environment-related deficiencies, DPL management should first assess the current conditions to demonstrate the need for additional funding or action. Installing separate HVAC systems and improving DPL’s building-related risks will require significant financial outlays. However, DPL management has not assessed the cost associated with making
these improvements. DPL management should conduct a cost analysis of the implementation of CCAHA recommendations and the remediation of other known deficiencies to budget for and implement important upgrades. DPL management should also develop an environmental monitoring plan that specifies the location and required maintenance for equipment, appropriate environmental set points, and required analyses of environmental data. Such a monitoring plan would help DPL pinpoint problem areas, illustrate the severity of any issues, and show DPL’s responsiveness to its role as caretaker to these important historical collections. To address building-related risks, DPL should develop a strategic plan that outlines its approach for managing the growth of its special collections.

RECOMMENDATIONS

We offer the following recommendations to improve the environmental conditions in which Denver Public Library’s special collections are stored:

1.1 The Manager of the Western History/Genealogy Department should arrange for an internal assessment to update Denver Public Library’s understanding of the current environment-related risks to the special collections areas at Central Library and the Blair-Caldwell branch library.

1.2 The City Librarian, together with the Western History/Genealogy Department Manager and Facilities Superintendent, should complete a cost analysis to determine the potential cost associated with improving Denver Public Library’s ability to provide appropriate environmental conditions for special collections areas.

1.3 The City Librarian, with input from the Western History/Genealogy Department Manager, should develop a strategic plan for Denver Public Library’s special collections that outlines its approach for managing the growth of its special collections.

1.4 The Western History/Genealogy Department Manager, with input from the Facilities Superintendent, should develop a policy that describes Denver Public Library’s environmental monitoring program and includes key information such as location and maintenance of environment monitoring equipment, environment set points, and frequency with which environmental data should be analyzed.
FINDING 2

Weak Security Controls Place Denver Public Library’s Special Collections at Risk for Theft or Damage

After analyzing the security conditions and controls for Denver Public Library’s (DPL) special collections in comparison to common and best practices, we determined that the special collections housed at the Central Library and Blair-Caldwell African American Research Library (Blair-Caldwell) are vulnerable to several security-related risks. DPL made improvements to the security of special collections housed at Central Library over the last decade through the addition of a separate room for researchers to access special collections, installation of surveillance cameras, and utilization of a building automation system to restrict access to some special collections areas. However, these findings show that many deficiencies described in a 2007 preservation needs assessment of DPL’s special collections conducted by the Conservation Center for Art and Historic Artifacts (CCAHA) continue to be a problem.

Some Security Risks Are Common to Both Central Library and Blair-Caldwell

Despite recent security improvements at Central Library, special collections at both Central Library and Blair-Caldwell are inadequately protected against theft or damage. DPL does not fully control or monitor public and staff access to certain special collections and it lacks important security procedures, including regular inventory checks, tracking of materials used by researchers, and increased supervision of researchers accessing unprocessed materials. Further, DPL has not developed a security plan for its special collections that documents staff response priorities for suspected thefts and guidelines for monitoring the collections’ security, and its deaccession procedures lack important elements.

Storage and Technology Limitations Expose Some of Denver Public Library’s Special Collections to Unnecessary Risk—Special collections housed at both the Central Library and Blair-Caldwell are vulnerable to theft or damage due to DPL’s current storage approach. In one special collections storage area, certain entrances are not locked, making them accessible to the public. Materials from another special collection are housed in a public area due to a shortage of storage space in the protected storage area. Both of these observations represent significant security risks to the collections. They also stand in stark contrast to best practices, which emphasize that storage areas must not be accessible to the public. Additionally, both libraries currently have staff work areas commingled with special collections storage spaces. The prevalence of insider theft—thief committed by staff or...
temporary workers—for institutions with special collections is poorly understood. However, one study comparing theft events documented in the Library Theft Database over twenty-three years suggested that the insider theft rate may be as high as 33 percent.20 According to the study, city and county libraries experienced the second-highest number of insider thefts and the most noninsider theft events of all institutions reviewed, but the overall value of these losses was lower than other types of institutions such as university special collections and research libraries.21

Facilities can take specific steps to minimize the risk of theft. Storing special collections in a secured area, separate from public areas and staff work areas, creates one fundamental level of protection. In addition, experts recommend restricting staff access to storage areas to those whose job duties require access to the stored collections and utilizing a security system that continually monitors and records the identity of staff accessing the collections areas. Continued growth in the size of DPL's special collections has led to this shortage of storage space and use of less secured areas for special collections storage. Nevertheless, DPL management could quickly ameliorate the unsecured storage space with the addition of door locks.

Another concern for special collections at Central Library and Blair-Caldwell is DPL's inability to adequately monitor several special collections areas due to a lack of installed surveillance cameras and access monitoring capabilities. Although surveillance cameras have been installed in many special collections areas, DPL has no surveillance capabilities in half of the areas we observed. Furthermore, DPL only retains the surveillance footage for seven days. DPL staff explained that they would like to add more cameras to the system but additional cameras have not yet been acquired due to limited funding and the required system update necessary to install new surveillance cameras.

Not only do some areas lack surveillance cameras but DPL has not yet connected three special collections storage areas to its Andover Continuum (Andover) building automation system. These areas are either secured by a barrel lock only or not secured at all. Although the lock provides some level of security, DPL cannot continually monitor who accesses these rooms without installing badge readers connected to the Andover system. Best practices recommended by experts and professional organizations stipulate that security cameras should be used for reading rooms, access points, or other appropriate areas. Also, automated systems should be in place that record pertinent information such as the identity of the person accessing a special collections storage area as well as the door accessed and the date and time of each access event. In addition, surveillance footage should be retained as long as possible but for thirty days at minimum. Since acquiring the Andover system, DPL has gradually connected it to thirteen branch libraries. However, not all of these locations are connected to the entire suite of capabilities Andover provides. Moreover, even Central Library—which was the first library building to be connected to the environmental and security monitoring

21 Researchers included a variety of institutions in the scope of the study including universities, government archives, historical societies, non-profit groups, research libraries, museums, and independent special collections.
components of Andover—contains special collections areas that are not connected to and monitored by the system.

Although the cost associated with improving DPL’s security-related deficiencies has delayed the implementation of many necessary improvements, DPL management have not yet conducted a cost analysis of the recommendations made in the 2007 CCAHA preservation needs assessment. An understanding of the cost associated with all recommended improvements would enable management to make informed decisions when budgeting for these critical improvements. In addition, a security consultant—with specific knowledge of special collections security needs—could help DPL management prioritize and implement these security upgrades.

**Weak Internal Controls Reduce Denver Public Library’s Ability to Protect Special Collections**—The Western History/Genealogy (WHG) Department has no internal procedures concerning the performance of inventory reviews. The last complete review of the special collections inventory occurred over ten years ago. Since then, two other inventories occurred for two small storage areas at Central Library. These recent inventory checks demonstrate that DPL has made some progress towards conducting inventory reviews but the bulk of its special collections have not been reassessed in more than a decade.

Regular inventory reviews are critical for any institution possessing valuable assets. Through the review process, stolen or missing items can be identified. Professionals in the archival field recommend the use of regular and random inventories to ensure that institutions exercise due diligence in the protection and maintenance of collections. Although DPL does not have the staff resources to conduct complete inventories of its special collections on an annual basis, frequent rotating inventories of certain rooms or sections of the collections are possible with adequate planning. By taking this step, special collections staff could proactively identify items that may be missing from the collections and reduce the likelihood of insider theft by boosting staff attention to and knowledge of the collections.

Other risks for special collections stored at Central Library and Blair-Caldwell stem from DPL’s procedures for providing researchers with access to the collections. Of the formats frequently requested by researchers—books, photographs, manuscripts, and magazines—Central Library only collects and tracks the researcher’s name and item requested for some of these formats. However, Blair-Caldwell does not track this information for any materials requested by researchers. Best practices stipulate that each researcher should register prior to accessing any special collections materials by providing their name, address, and institutional affiliation, if applicable. Users should also present photo identification, and special collections staff should maintain checkout records that document the identity of each individual that accessed the materials, as well as the individual special collections items provided to the researcher. By recording and retaining this information, DPL could potentially link a missing item with the last person to access it.
Another researcher-related risk concerns DPL’s procedure for providing researchers with access to special collections materials that have not been fully processed. Our survey of other public libraries illustrated that fully processing all special collections materials is a challenge for many public libraries, the funds for which must be divided between special collections and other priorities such as maintaining the circulating collections and providing public programs. Similar to other institutions surveyed, DPL cannot fully process all of its special collections due to limited staff resources. However, no additional precautions are taken by DPL staff when researchers request and gain access to unprocessed materials. For example, if a researcher is provided with a box of documents from a special collection that has been processed at the box-level only, each individual document may not be cataloged. This may prevent staff from identifying missing items once the box is returned. Professional organizations recommend that additional precautions should be taken when providing materials to researchers that have not yet been completely processed or cataloged such as increasing supervision of researchers or providing fewer items at a time. Most likely, a shortage of staff time and resources has prevented DPL special collections staff from identifying the need for and instituting these improvements. Revised procedures that provide more security for unprocessed materials will reduce the likelihood of theft.

DPL also lacks key policies that set forth the library’s overall security approach regarding the special collections. For example, there is no special collections security plan that describes how staff should respond to suspected theft events or security-related alarm notifications from the Andover system. Although DPL developed a system-wide Security Manual in 2013, it does not address the security of DPL’s special collections. Further, DPL has not developed a plan for how often the security data should be analyzed to proactively identify potential security problems and staff responsible for monitoring security data. DPL also lacks documentation of the location of DPL’s security equipment such as surveillance cameras and motion detectors. A variety of factors have delayed the development of a special collections security plan. First, management from the Facilities and WHG Departments have yet to collaboratively discuss and prioritize the security needs of the special collections. Also, Facilities Department staff described there is a learning curve associated with capturing and manipulating security monitoring data from the Andover system.

Our review of security data for Central Library found that the number of security-related alarm notifications related to the special collections storage areas represented a very small number of the total number of alarms generated by the Andover system over a three-month period. However, just two storage areas accounted for the majority of these alarms. This suggests that DPL staff should closely monitor these areas and revisit guidelines related to staff access to these areas to determine the reason for the alarm frequency. In addition to lacking procedural guidance, we identified inefficiencies with

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22 Full processing includes taking action to prepare the item for storage (e.g., remove fasteners, unfolding documents), identifying materials needing conservation, and arranging the materials in long-term storage devices such as folders or boxes.
Deaccessioning is an important part of special collections management that ensures DPL’s resources are dedicated to preserving only those materials that fit within DPL’s special collections focus areas—Western History, Genealogy, and African-American culture and history in the West.

In response to a request for policies and other internal documents used by special collections staff to document and process deaccessioned materials, auditors received two internal policy documents, multiple copies of DPL’s Deaccession Information Worksheet (Worksheet), and files documenting items traded or sold to an antiquarian dealer. However, the Worksheets and dealer files are not referenced in the policy documents, nor do these documents include evidence of the necessary steps laid out in DPL’s deaccession policy documents, such as documentation of the value of the item which dictates the level of approval required. This suggests that special collections staff are working with outdated policies or other documentation. Furthermore, auditors observed discrepancies in the consistency of baseline information recorded in the Worksheets. For example, two of the five forms reviewed were missing approval signatures. Outdated and inconsistent policy or supportive documents can lead to confusion and uncertainty regarding the steps necessary for deaccessioning special collections materials. This inconsistency not only leaves materials vulnerable to theft but it also reduces DPL’s ability to track the ultimate disposition of special collections materials—whether they were deaccessioned, stolen, or remain in the collections. As such, DPL should review and update its current deaccession policies and oversight of the process so that policies and current practices are integrated and all necessary steps are reliably completed.

23 Deaccessioning refers to the removal of one or more items from a collection. Typically, deaccessioning occurs if an item is not related to the theme or mission of a collection, if it is a duplicate, or if it is too deteriorated to be of value to researchers. Methods of deaccession include sale, exchanges or transfers to other institutions, or destruction.

24 DPL provided copies of its policies for deaccessioning artwork from its special collections as well as deaccession guidelines for all other materials (e.g., books, photos, manuscripts). Since DPL has not deaccessioned any works of art in over ten years and has no plans to deaccession artwork in the future, we focused our review on the policy and documents related to the deaccession process for other special collections materials.
In addition, DPL’s deaccession policies do not describe the conditions necessary to sell a deaccessioned item, or to select the most appropriate method of sale, such as selling to other collections, dealers, or at auction. Also, the policies only provide general information on how the proceeds should be spent. Specifically, DPL policy states that all sale proceeds will be used “only to further the preservation and development of Western History/Genealogy research collections.” Best practices recommend that all institutions should have written policies that describe the conditions necessary for a sale to be considered and how the proceeds should be used. DPL’s omission of these important elements may be due to the outdated nature of these deaccession policies or the infrequent nature of its deaccession activities.  

DPL has not deaccessioned artwork in more than ten years and the bulk of its deaccession activities for other materials occurred between 2003 and 2004. Without criteria that outline when each deaccession method can be used and how proceeds should be utilized, DPL may make inconsistent or arbitrary deaccession decisions in the future that interfere with its ability to build partnerships with donors or other institutions and to obtain the optimal payment for deaccessioned items.

Even though DPL has taken steps to improve the security of special collections housed at Central Library, some special collections materials remain exposed to security-related risks similar to those at Blair-Caldwell, including the ability of the public and staff to have unrestricted access to some materials. Also, both libraries lack important internal policies that add additional oversight and protection to the special collections. However, additional security risks are present at Blair-Caldwell that further jeopardize the security of the unique African American Research Library collection.

Additional Security Risks Are a Concern at Blair-Caldwell

The AARL special collection at Blair-Caldwell is vulnerable to additional threats related to the reading room, which is the space dedicated to researchers accessing collections materials. A recent improvement made to the Central Library was the addition of the Mullen Reading Room, which is the only area at the library where the public and researchers can gain access to and review items from the special collections. By limiting the public’s access to special collections to one secured room, DPL can better monitor and protect the materials. However, no such improvements have been made at Blair-Caldwell, where the reading room is nested within a larger space that serves another function. Best practices recommend that the public’s use of special collections should be limited to a secure reading room that is continuously monitored by staff or surveillance cameras. Most likely, this building design flaw occurred because the special collections were not adequately considered during the planning stages of the Blair-Caldwell building.

25 The deaccession policy for DPL’s artwork was developed in 1995 and the procedures for deaccessioning all other special collections materials were developed around 2003.
Staff supervision of the reading room area also needs improvement. For example, the proctor assigned to the special collections reading room must perform a variety of duties, including assisting visitors with the public computers, meeting with researchers interested in accessing special collection materials, and transporting requested items to and from the special collections storage area. As such, the proctor cannot provide constant supervision to researchers. Additionally, the surveillance cameras installed in the reading room are mounted on the opposite side of the room, and the organization of the shelves in the reading room area creates blind spots for both the surveillance cameras and the proctor. Also, the security gates for the reading room area need repair to ensure that no materials are taken outside of the reading room.

These observations stand in contrast to the Central Library which adheres to best practices that stipulate researchers should be observed at all times while accessing special collections materials. Specifically, the Central Library has a proctor located in the Mullen Reading Room any time that researchers are present. The proctor and surveillance cameras both provide constant supervision of researchers and security gates provide additional theft prevention and deterrence. Rearranging the placement of bookshelves in the reading room at Blair-Caldwell would increase the proctors' field of view and improve surveillance.

Finally, Blair-Caldwell staff do not consistently restrict the belongings that researchers can bring to the reading room desk. Lockers are located in the reading room for the purpose of storing bags and other personal items. By limiting the items that researchers can have with them while accessing special collections, library staff can reduce the possibility that materials are damaged or stolen. However, Blair-Caldwell is not currently using the storage lockers for their intended purpose. Professional organizations recommend that researchers should not be allowed to take extraneous personal materials into reading rooms. Although Central Library follows this practice, Blair-Caldwell does not. Inadequate communication between WHG staff at Central Library and Blair-Caldwell regarding required procedures led to this gap in Blair-Caldwell's security controls for its special collection. By fully utilizing the lockers available, staff at Blair-Caldwell would reduce the likelihood of theft or damage to these unique materials.

DPL’s special collections at Central Library and Blair-Caldwell are vulnerable to a number of security risks. Until DPL addresses its storage and technology limitations at both locations, its special collections will continue to be vulnerable to theft or damage. Materials may be improperly accessed by members of the public or staff and DPL will be unable to monitor the frequency with which each area is accessed—as well as determine the identity of those entering the area—until all special collections areas are
connected to the Andover system. Lastly, a lack of certain policies and procedures for the WHG Department significantly curtails DPL’s ability to ensure baseline security measures are followed and to identify potential security problems for special collections areas.

RECOMMENDATIONS

We offer the following recommendations to reduce the risk to Denver Public Library’s special collections of theft or damage.

2.1 In conjunction with recommendation 1.2, the City Librarian, together with the Western History/Genealogy Department Manager and Facilities Superintendent, should complete a cost analysis to determine the potential cost associated with improving Denver Public Library’s ability to provide appropriate security measures for special collections areas.

2.2 The Western History/Genealogy Department Manager, with input from the Facilities Superintendent, should develop a security plan for Denver Public Library’s special collections at Central Library and Blair-Caldwell that describes, at minimum, staff response guidelines for instances of damage or suspected theft and the security monitoring program that documents the security measures in place, strategies to make optimal use of limited resources when applicable, and requirements for the regular analyses of security data from the Andover system.

2.3 The City Librarian should bring in an outside security consultant to review security controls and procedures regarding Denver Public Library’s special collections areas and to prioritize recommendations for needed improvements.

2.4 The Western History/Genealogy Department Manager, with input from the Senior Special Collection Manager at Blair-Caldwell, should improve, and rearrange as needed, the bookshelves in the Blair-Caldwell reading room area to improve the proctor’s ability to supervise researchers using the special collections.

2.5 The Western History/Genealogy Department Manager should update procedures at Central Library and Blair-Caldwell to ensure that the library fully tracks and retains special collections usage data, including researcher information and item accessed, safeguards unprocessed materials, enforces the use of researcher lockers at Blair-Caldwell, and conducts regular and rotating inventory checks of special collections materials.

2.6 The Western History/Genealogy Department Manager should update and strengthen deaccession policies and procedures for Denver Public Library’s special collections to ensure that current practices match internal policy, all required steps and documentation are completed, and guidelines are in place for the documentation and approval process for the sale of special collections materials including how proceeds will be used.

2.7 The Facilities Superintendent should take immediate action to add locks to the unsecured special collections area at Central Library.
FINDING 3

Denver Public Library Could Improve Fundraising Activities and Oversight of Donations

Denver Public Library (DPL) relies on funding from the City’s general fund as well as additional support from the Friends Foundation and the Friends of Blair-Caldwell African American Research Library Foundation (Friends of Blair-Caldwell), which collect and manage contributions on behalf of DPL. During the course of our audit work, we identified three areas for improvement related to fundraising activities and donations management. First, the Friends Foundation needs to diversify its fundraising strategies and minimize fundraising costs. Second, the partnership between DPL and the Friends Foundation should be governed by a written binding agreement. Third, DPL needs to establish internal controls over donated assets and implement policies and procedures for donation management.

DPL’s Fundraising Partners—DPL retains fundraising responsibilities for grant writing and sponsorship of some programs and services. Additional fundraising support for the Central Library and DPL’s branches comes from the Friends Foundation, while the Friends of Blair-Caldwell provides support to Blair-Caldwell only. Due to its long history, established reputation, and network, the Friends Foundation maintains a large number of members, has its own paid staff, organizes fundraising events, and partners with corporate and private donors to support DPL. The Director of the Friends Foundation also serves as the Director of the Community Relations Department at DPL and is a DPL employee. The Friends Foundation receives free office space, maintenance, utilities, internet access, and IT support from DPL.

The Friends of Blair-Caldwell is not as established as the Friends Foundation. It has only been registered with Colorado Secretary of State since 2012, is run by volunteers, and solicits funds from private donors. Former Denver Mayor Wellington Webb, President of the Foundation, contacts donors directly after the organization receives requests for financial support from the library.

Improved Fundraising Strategies Will Finance More Public Programs and Services Offered by DPL

We identified three opportunities for the Friends Foundation to improve its fundraising strategy; first, by increasing efficiency; second, by reducing administrative costs; and third, by using more diverse and innovative approaches to connecting with the donor.

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26 The Denver Public Library is in the process of signing a contract with the Friends Foundation that defines its fundraising responsibilities.

27 The Friends Foundation conducts general fundraising on behalf of DPL through direct mail, planned giving, annual giving, fundraising events, used book sales, advocacy, and endowment management.

28 Friends Foundations are typically created to support public organizations through fundraising and public awareness. Most of these organizations are registered as 501(c)(3) entities for tax purposes.
community. By making improvements in these three areas, the Friends Foundation can put more dollars towards the valuable programs and services that benefit DPL’s patrons.

**The Friends Foundation’s Fundraising Efforts Could Be More Efficient**—To assess fundraising performance of the Friends Foundation, auditors utilized fundraising guidance suggested by the Better Business Bureau Wise Giving Alliance and CharityWatch. The Better Business Bureau Wise Giving Alliance developed Standards for Charity Accountability to assist donors in making donation decisions and to foster public confidence in charitable organizations. CharityWatch, previously known as the American Institute for Philanthropy, provides independent charity rating and evaluation services to the public. Both organizations and their guidance are recommended by the Colorado Secretary of State for use by donors who are evaluating whether an organization will make responsible use of their financial gifts. Specifically, Standard 9 for Charity Accountability uses the gross revenue method to calculate overall fundraising efficiency. According to the Standard, it should take no more than thirty-five cents to raise one dollar.\(^29\) Using this methodology to calculate overall fundraising activities over the last three years shows that the Friends Foundation met or exceeded this fundraising efficiency standard.\(^30\)

We recognize that evaluating fundraising costs is a complex issue since each nonprofit is unique in its structure and mission. However, our research found the net revenue method is preferable over the gross revenue method because of its precision for evaluating individual fundraising event efficiency. Gross revenue, or the total amount of funds raised by a fundraising event, does not show how much fundraisers spent to raise these funds. One benefit of the net revenue method over the gross revenue method is that the calculation takes into consideration both fundraising expenses and how much money was raised, which captures an entity’s return on investment, or the true cost and profitability of a fundraising event. For example, if an organization spends $10,000 to raise $30,000, the cost of raising one dollar is $0.33 using the gross revenue method and $0.50 by using the net revenue method.\(^31\) In addition, the Association of Fundraising Professionals supports evaluating the return on investment of individual fundraising activities.

<table>
<thead>
<tr>
<th>Year</th>
<th>Booklovers Ball</th>
<th>Used Book Sale</th>
<th>Other Fundraising Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1.42</td>
<td>.80</td>
<td>.33</td>
</tr>
<tr>
<td>2011</td>
<td>.94</td>
<td>.83</td>
<td>.28</td>
</tr>
<tr>
<td>2012</td>
<td>1.31</td>
<td>1.09</td>
<td>.05(^32)</td>
</tr>
</tbody>
</table>

Source: Auditor’s analysis of the Friends Foundation’s financial data.

\(^{29}\) For more information on calculating fundraising efficiency, see Appendix B.

\(^{30}\) Overall fundraising efficiency using the gross revenue method for years 2010, 2011, and 2012 was .33, .29, and .12, respectively.

\(^{31}\) The cost of raising one dollar under the gross revenue method is calculated by dividing expenses by gross revenue ($10,000/$30,000). The net revenue method calls for dividing expenses by gross revenue less expenses ($10,000/($30,000-$10,000)).

\(^{32}\) The Friends Foundation received a one-time donation of $2,007,098 in 2012 for the Western History/Genealogy Department, which positively affected the fundraising efficiency calculation.
Table 5 demonstrates the cost of raising one dollar using the net revenue method for the fundraising activities conducted by the Friends Foundation. The net revenue method, when applied to certain fundraising activities, illustrates that the Friends Foundation could improve fundraising efficiency in some cases. For example, the Friends Foundation spent more than $1.30 in 2010 and 2012 to raise $1 for the Booklovers Ball. However, DPL and Friends Foundation management explain that certain fundraising activities, such as the Booklovers Ball, provide added value to DPL beyond fundraising. For instance, they help to cultivate relationships with potential donors. Other fundraising activities, including direct mail and annual giving, require fewer financial resources which improves their overall efficiency. Fundraising inefficiency, or excessive costs to raise one dollar, ultimately affects DPL by providing fewer funds for programs and services. Therefore, DPL’s fundraising partners should strive to reduce costs whenever possible and to maximize net revenues to help achieve DPL’s mission.

The Friends Foundation May Be Spending Too Much on Administrative and Fundraising Costs—Standard 8 for Charity Accountability suggests that nonprofit organizations should spend at least 65 percent of total expenses on program activities. Our research indicates that the amount of funding provided to DPL by the Friends Foundation is at the lower borderline of suggested spending. Figure 1 shows annual transfers from the Friends Foundation to DPL for 2010 through 2012, which represented between 60 and 67 percent of the operational budget for the Friends Foundation. The remainder of the Foundation’s operational budget was spent on administrative and fundraising purposes.

Figure 1: Friends Foundation Transfers to Denver Public Library

Auditors chose to evaluate percentage of budget spent on program and fundraising activities because multiple studies have indicated that donors use this criterion to evaluate and select charities for giving. According to the 2012 Bank of America Study of High Net Worth Philanthropy, 82 percent of high net worth households believe that the organization receiving their gift should spend only an appropriate amount of their donation on general administrative and fundraising costs. Similarly, research from Princeton Survey Research Associates International showed that 79 percent of
respondents said it is important to know the percentage of spending that goes toward a charitable program.\textsuperscript{33} Finally, 68 percent of respondents to the Bank of America study of High Net Worth Philanthropy stated that they donated because of an organization's efficiency.

Since the Friends Foundation has not consistently met the minimum recommended 65 percent, it is possible that they are spending too much on administrative and fundraising activities. Considering that donors take this spending into account when selecting which organization to support, the Friends Foundation should make an effort to streamline administrative operations and ultimately dedicate more donations directly to programming.

**Friends Foundation Fundraising Events Lack Diversity and Innovation**—Our review of fundraising activities also showed that the Friends Foundation has been using the same fundraising techniques and strategies for many years running. The Friends Foundation has organized sixteen annual galas, known as the Booklovers Ball, and conducted used book sales for thirty-eight years. Figure 2 illustrates that for the last three years, the Booklovers Ball and used book sales were not major sources of donations. In 2012, the Friends Foundation reported a contribution of $2,007,098 for the Western History/Genealogy (WHG) Department. The contributions, bequests, and grants category of fundraising activity provides a steady source of contributions for DPL, some years more significantly than others based on large one-time donations.

**Figure 2: Gross Revenues Generated by Friends Foundation Activities\textsuperscript{34}**

![Figure 2: Gross Revenues Generated by Friends Foundation Activities](image)

Although we do not dismiss the value of some repetitive annual fundraising events, the Friends Foundation could benefit from a greater diversity of fundraising activities,


\textsuperscript{34} Total gross revenues from Figure 2 for 2010, 2011 and 2012 are $1,234,793, $1,575,246 and $3,367,633 respectively.
especially since the Booklovers Ball and used book sales have not consistently been cost effective. Furthermore, the Friends Foundation may be able to reach a broader donor base by offering a greater diversity of fundraising activities.

Through our research, we found that the fundraising techniques used by Los Angeles Public Library (LAPL) are a good example of how a library can make use of its special collections to raise funds in creative ways. For example, LAPL’s music sheet collection evolved into a published book celebrating the collection and a fundraising concert of the music featured in the book. LAPL’s motto for this unique event is “Archives should not just be preserved and maintained. Archives should come back to life.” Additionally, LAPL is in the process of using its Los Angeles-area restaurant menus for another fundraising event. DPL is in a position to use its unique Western and African-American History collections for similar types of events, which may attract new donors who have not traditionally attended the Booklovers Ball or the used book sales.

Well developed fundraising strategies are a vital part of successful operations for any nonprofit organization. These strategies must take into consideration multiple factors to strategically target potential donors and connect with their values and interests. Poorly designed fundraising activities not only impede financial and operational activities of the organization, but could result in a negative public perception of the organization, its mission, and its objectives. Consequently, we recommend that DPL and the Friends Foundation identify new ways to diversify fundraising activities and to spur additional public interest in DPL’s mission and operations.

Lack of Properly Written Contract Between DPL and the Friends Foundations Puts DPL in Dependent Position

Audit work found that DPL does not have the ability to set, control, or monitor costs incurred by the Friends Foundation and Friends of Blair-Caldwell because it has not entered into a contract with either organization. DPL and the Friends Foundation initiated a draft contract in 2011, but it had not been finalized at the time of this audit. DPL has not initiated a contract with the Friends of Blair-Caldwell at the time of this audit.

According to Contract Basics, a Handbook on content and procedures developed by the City Attorney’s Office, pursuant to City Charter, a City contract must be written and must be signed by the Mayor before it is legally binding. A contract is a legally binding agreement between two or more parties to exchange something of value, such as goods, services, or money. A contract is created when one party gives something of value to another party and expects to receive something of value in return. The contract spells out the rights and obligations of the parties. Other names for a legal contract include agreement, memorandum of agreement, or memorandum of understanding. If City procedures and formalities are met, all of these can be legally binding and contract law will apply to their interpretation. The City signs contracts for revenues, expenditures, grants, and miscellaneous items that include donations.

Auditors conducted a survey of other libraries with special collections, which included a set of questions related to respondent relationships with Friends Foundations or Groups. The majority of survey respondents stated that their organizations had written contracts with Friends Foundations or Groups. In addition, the Federal Trade Commission provides clear guidance on written contracts that should protect both the organization and the fundraiser.36

Not having a contract with either of its fundraising partners puts DPL and, subsequently, the City in a vulnerable situation. Without a contract, the City might be legally responsible for actions and functions performed by the Friends Foundation and the Friends of Blair-Caldwell and would not have legal authority to ensure that either foundation comply or adhere to mutually agreed-upon services. Further, without a contract, the City does not have legal grounds to audit either foundation to verify the accuracy and reliability of financial information, collection and management of funds on behalf of DPL, financial transfers to DPL, and compliance with the City's fiscal rules, Executive Orders, and Charter.

DPL and its Friends Foundations bear an ethical responsibility to donors who trust that their assets will be used responsibly and administered under proper oversight. To ensure this, DPL should enter into a legally binding agreement with the Friends Foundation and the Friends of Blair-Caldwell, both of which clearly stipulates the duties and responsibilities of all parties. The contracts between DPL and its fundraising partners should serve as legal basis should DPL choose to terminate the partnership if the other party does not act in good faith or does not meet agreed-upon expectations. DPL will fund more programs and deliver better services if the contract stipulates a cap for overhead costs incurred by its fundraising partners.

Lack of Proper Internal Controls Over Donations to DPL Might Lead to Negative Consequences

In addition to needing stronger controls surrounding its fundraising partners, DPL also needs to establish proper internal controls over receiving, processing, and recording donations. Internal controls are essential tools to ensure that an organization's assets are protected and used in the most efficient manner. This is especially important when an organization uses public funds or contributions made by donors. Transparency regarding how funds are spent and controls over proper recording of contributions and expenditures can affect not only DPL's financial health, but the public image of the organization as well.

DPL has some controls in place to verify the amount of contributions being held by the Friends Foundation for the library. Both organizations meet periodically to review and compare their records, and to update management on financial aspects, including investments managed by the third party that has a contract with the Friends

36 For more on the Federal Trade Commission's guidance, see Appendix C.
The Friends Foundation also has some policies and procedures related to receiving and recording donations.

At the same time, DPL does not have proper controls over the receipt, processing, and recording of donated assets at Blair-Caldwell. Over the course of three years, the Friends of Blair-Caldwell provided support to this branch library by donating assets to the library or paying vendors directly for events and items that should have been classified by DPL as donation revenue. According to City Fiscal Accountability Rules, all goods and services shall be received in the City’s financial system of record. Subsequently, DPL’s system and the City’s systems of record, PeopleSoft, did not reflect correct information.

DPL should establish internal controls over the receipt, processing, and recording of donated assets received not only at Central Library, but at all library branches. Such internal controls should include, but are not limited to, proper recordkeeping, segregation of duties, official confirmation for the receipt of donations, and review of financial records for donations by independent library staff. Periodic training related to these policies and procedures is an integral component of internal controls.

**RECOMMENDATIONS**

We offer the following recommendations to improve the fundraising strategies of DPL’s Friends Foundations and ensure proper oversight over donated assets to DPL:

3.1 The City Librarian, Director of Community Relations, and Director of Finance should continue to work with the Friends Foundation to enhance fundraising strategies through increased efficiency and diversification. Establishing and monitoring fundraising metrics for each fundraising activity should be included in this process and performed on each fundraising event at least annually.

3.2 The City Librarian, Director of Community Relations, and Director of Finance should secure properly documented agreements with all fundraising partners.

3.3 The Director of Finance and Director of Community Relations should develop clear and concise policies and procedures related to donated assets and train library staff accordingly.

3.4 The Director of Finance and Director of Community Relations should develop internal controls over the receipt, processing, and recording of donated assets and ensure that they are properly communicated to appropriate staff and implemented. Such internal controls should include, but are not limited to, proper recordkeeping, segregation of duties, official confirmation for the receipt of donations, and review of financial records for donated assets by independent library staff.

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37 As of December 31, 2012, the Friends Foundation managed $4,434,239 in long-term investments on behalf of DPL.
38 City Fiscal Accountability Rule 8.2-Receiving Goods and Services rule number one.
39 Although we did not observe any irregularity with cash or in-kind donations, we believe that recommendation 3.4 is relevant to all library donations.
Appendix A: Denver Public Branch Libraries

Table 6 is a listing of the 24 branch libraries and their location in the Denver Public Library system.

<table>
<thead>
<tr>
<th>Library</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Athmar Park branch library</td>
<td>1055 S. Tejon Street</td>
</tr>
<tr>
<td>Ross-Barnum</td>
<td>3570 W. First Avenue</td>
</tr>
<tr>
<td>Bear Valley</td>
<td>5171 W. Dartmouth Avenue</td>
</tr>
<tr>
<td>Blair-Caldwell</td>
<td>2401 Welton Street</td>
</tr>
<tr>
<td>Ross-Broadway</td>
<td>33 E. Bayaud Avenue</td>
</tr>
<tr>
<td>Byers</td>
<td>675 Santa Fe Drive</td>
</tr>
<tr>
<td>Ross-Cherry Creek</td>
<td>305 Milwaukee Street</td>
</tr>
<tr>
<td>Decker</td>
<td>1501 S. Logan Street</td>
</tr>
<tr>
<td>Eugene Field</td>
<td>810 S. University Boulevard</td>
</tr>
<tr>
<td>Ford-Warren</td>
<td>2825 High Street</td>
</tr>
<tr>
<td>Green Valley Ranch</td>
<td>4856 N. Andes Court</td>
</tr>
<tr>
<td>Hadley</td>
<td>1890 S. Grove Street</td>
</tr>
<tr>
<td>Hampden</td>
<td>9755 E. Girard Avenue</td>
</tr>
<tr>
<td>Montbello</td>
<td>12955 Albrook Drive</td>
</tr>
<tr>
<td>Park Hill</td>
<td>4705 Montview Boulevard</td>
</tr>
<tr>
<td>Pauline Robinson</td>
<td>5575 E. 33rd Avenue</td>
</tr>
<tr>
<td>Sam Gary</td>
<td>2961 Roslyn Street</td>
</tr>
<tr>
<td>Schlessman Family</td>
<td>100 Poplar Street</td>
</tr>
<tr>
<td>Smiley</td>
<td>4501 W. 46th Avenue</td>
</tr>
<tr>
<td>Ross-University</td>
<td>4310 E. Amherst Avenue</td>
</tr>
<tr>
<td>Valdez-Perry</td>
<td>4690 Vine Street</td>
</tr>
<tr>
<td>Virginia Village</td>
<td>1500 S. Dahlia Street</td>
</tr>
<tr>
<td>Westwood</td>
<td>1000 S. Lowell Boulevard</td>
</tr>
<tr>
<td>Woodbury</td>
<td>3265 Federal Boulevard</td>
</tr>
</tbody>
</table>

Source: Denver Public Library website accessed October 2, 2013.
Appendix B: Calculation of Fundraising Efficiency

There are several schools of thought on how to calculate the fundraising efficiency. The original method suggests that fundraising efficiency is calculated by dividing total fundraising expenses by total (gross) related revenues. Related revenues include all contributions received as a result of fundraising activity. Once calculated, a low number is preferred as it indicates that less money was required to raise a dollar.

\[
\frac{\text{Total Expenses}}{\text{Total (Gross) Revenues}}
\]

However, in the light of the growing value of non-profit organizations, donors and analysts look at non-profits more from a business-like prospective. Accordingly, the second approach uses net revenues instead of gross revenues. Proponents of this method state that it results in a more accurate indicator of fundraising efficiency because gross revenues need to be adjusted for expenses that the fundraiser spent during the fundraising event. First, net revenues are calculated by deducting fundraising expenses from gross revenues. Net revenues are then divided by the total fundraising expenses.

\[
\frac{\text{Total Expenses}}{\text{Net Revenues}}
\]
Appendix C: Federal Trade Commission Guidelines for Non-profit Organizations

FTC FACTS for Business

RAISING FUNDS?
What You Should Know
About Hiring a Professional

If your nonprofit organization is planning a fundraising campaign, you may be considering hiring a professional to do the work. Professional fundraisers conduct campaigns for a fee; often, it's a percentage of the money they collect.

Because the fundraiser will be representing your organization to potential donors, the Federal Trade Commission (FTC), the nation's consumer protection agency, says it's important to investigate every firm you're considering hiring. Inappropriate behavior by a fundraiser can result in negative publicity for your organization, fewer or smaller donations, and possible legal action involving you and the firm in the case of legal violations.

CHOOSING A FUND RAISER

A little research could help ensure that you're working with a reputable fundraiser. Contact other nonprofit groups in your area for information and referrals - especially colleges, hospitals, and cultural organizations. You also may want to contact your local community fund or association of professional fundraisers.

Once you've compiled a list of potential fundraisers, call them for background information. Get written information about each, including a blank contract. Then, schedule interviews and ask how they would conduct your campaign:

• Would they solicit by phone, mail, e-mail, door-to-door, or by several approaches?

• Would they solicit money only - or would they sell products or tickets to events?

• What portion of the donation would come to your organization - and what portion will the fundraiser take? Stay away from companies that promise something for nothing or “easy money” for your organization.

• Would subcontractors be used for any part of the campaign?

• How would the fundraiser make sure its telephone solicitors follow approved scripts? Would it record calls? Would monitors listen in on calls? When you're interviewing, be clear that while the fundraiser would conduct the campaign, you would maintain overall control and expect the company to provide periodic financial reports. Ask to see financial data from other campaigns.
to get a picture of their successes. Ask what procedures are in place to make sure that the company complies with the FTC’s Telemarketing Sales Rule. The Rule applies to telemarketers hired to conduct inter-state solicitations of charitable contributions by phone. Fundraisers and any subcontractors must comply with the following requirements:

- telemarketing must be done between the hours of 8 a.m. and 9 p.m.;
- telemarketers must promptly identify the charitable organization they represent and disclose that the purpose of their call is to ask for a contribution;
- telemarketers must not make misleading statements during their pitch to induce a donation; and
- if a person asks to be placed on a “do not call” list, the telemarketer must honor the request. Any further calls to that person may subject the telemarketer to a fine of up to $16,000.

Many states also have regulations regarding charitable solicitations. Ask whether the telemarketer understands these requirements and how they plan to follow them. Include a statement about adhering to state regulations and federal law in your written contract. In addition, make sure that the materials used by the fundraiser comply with any state “do not call” laws. Some states require paid fundraisers to identify themselves as such and to name the charity for which they are soliciting. Ask whether the company is registered and bonded – a requirement in many states. You can learn more about your state laws by contacting the state’s charity regulator. For a list of state offices, visit the National Association of State Charity Officials at www.nasconet.org/agencies.

Ask for references and contact them about their experiences with the company, and whether they have suggestions based on their experience. Check out the company with your state Attorney General (www.naag.org), local consumer protection agency (www.consumeraction.gov), or the Better Business Bureau (BBB) (www.bbb.org). These organizations can tell you whether they have received consumer complaints about the company. The absence of complaints doesn’t necessarily mean the company is legitimate. Unscrupulous companies may settle complaints, change their names, or move to avoid detection.

Finally, get bids. Some state laws require nonprofit managers to get competitive bids. A reasonable bid is determined by many factors: the time and type of labor involved, the nature and duration of the relationship between fundraiser and client, and the ability and experience of the fundraising firm, to name a few.

THE FUNDRAISING CONTRACT

Once you’ve selected a professional fundraiser, describe the details of the campaign in the written contract to protect yourself as well as the fundraiser. Keep in mind that donors ordinarily expect that most of their contribution will go toward programs and services. The contract should:

- explain the services to be provided and the financial responsibilities of each party;
- authorize or prohibit the use of subcontractors;
• identify the compensation to be paid — a flat fee and/or a percentage of the money collected. Remember that some watchdog organizations have standards that limit overall fundraising costs;

• require that the fundraiser use only material reviewed and approved by your organization when contacting the public, especially telemarketing scripts and printed materials mailed to donors. Descriptions of your organization and representations about the tax benefits of a donation must be accurate: make sure any description of how the money will be used is consistent with the organization’s current plans and objectives;

• specify the contract period, including the closing and settlement dates;

• require the fundraiser to agree to comply with the FTC’s Telemarketing Sales Rule and applicable state laws;

• outline cancellation criteria for both parties;

• require the fundraiser to provide detailed reporting of results throughout the campaign and at its end. All donor checks should be made out to your organization, not the solicitor. Do not allow the solicitor to endorse checks. Review sales and other financial records on a regular basis, perhaps weekly; and

• specify ownership of donor lists. Typically, lists belong to the nonprofit. If you retain ownership and decide to offer your lists for rental or exchange, consider the privacy of your donors. You may want to offer donors the opportunity to opt out of lists you furnish to outside mailers and phone solicitors. If the telemarketer owns the lists, you may wish to retain the right to obtain certain data to provide tax information to donors and reports to regulators.

THE CAMPAIGN

Even though you’ve hired a professional fundraiser to conduct a campaign, you’re responsible for the actions taken on your behalf. Maintaining regular contact with the firm throughout the campaign is a must. Here are some additional tips for quality control:

• If you’re conducting a telemarketing campaign, insist that the fundraiser institute a system for training and monitoring its operators to make sure they’re following the authorized script. One method is to call back donors at random to verify the conversation. Provide the telemarketer with answers for commonly asked questions.

• Make sure that the fundraiser has a system in place to honor “do not call” requests.

• Closely track complaints from the public. If a pattern develops, review the area that’s causing confusion or concern and discuss ways to resolve the issue with the fundraiser.

• Keep tabs on the flow of money during the campaign. Make sure you get copies of original invoices as received, paid receipts as paid, bank statements, checks, and deposit slips. Monitor all expenses to be sure they are reasonable and ordinary. Immediately question any expenses that appear excessive or lack documentation.
FOR MORE INFORMATION AND TO REPORT FRAUD

Several private nonprofit organizations promote standards in philanthropy to evaluate the performance of public service groups. These standards include guides about the use of professional fundraisers. For more information, contact:

BBB Wise Giving Alliance
4200 Wilson Boulevard, Suite 800
Arlington, VA 22203
(703) 276-0100
www.bbb.org/charity

American Institute of Philanthropy
3450 Lake Shore Drive, Suite 2802 E
Chicago, IL 60657
(773) 529-2300
www.charitywatch.org

Charity Navigator
1200 MacArthur Boulevard
Mahwah, NJ 07430
(201) 818-1288
www.charitynavigator.org

BoardSource
1828 L Street, N.W., Suite 900
Washington, DC 20036
(877) 89-BOARD (892-6273)
www.boardsource.org

If you believe an organization may not be operating for charitable purposes, is making misleading solicitations, or is ignoring requests to be placed on a "do not call" list, contact your state Attorney General (www.naag.org) or your local consumer protection agency (www.consumeraction.gov). You can get the phone numbers for these organizations in your phone book, through directory assistance, or through Web directories.
You also may file a complaint with the Federal Trade Commission. The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

Federal Trade Commission

Bureau of Consumer Protection

Division of Consumer and Business Education

May 2009
AGENCY RESPONSE

November 12, 2013

Mr. Kip R. Memmott, MA, CGAP, CRMA
Director of Audit Services
Office of the Auditor
City and County of Denver
201 West Colfax Avenue, Dept. 705
Denver, Colorado 80202

Dear Mr. Memmott:

The Office of the Auditor has conducted a performance audit of the Denver Public Library.

This memorandum provides a written response for each reportable condition noted in the Auditor’s Report final draft that was sent to us on October 22, 2013. This response complies with Section 20-276 (b) of the Denver Revised Municipal Code (D.R.M.C.).

AUDIT FINDING 1
Denver Public Library’s Special Collections Are Not Maintained Under Adequate Environmental Conditions and Controls

RECOMMENDATION 1.1
The Manager of the Western History/Genealogy Department should arrange for an internal assessment to update Denver Public Library’s understanding of the current environment-related risks to the special collections areas at the Denver Central Library and the Blair-Caldwell African American Research Library.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>5/31/14</td>
<td>Jim Kroll 720-865-1820</td>
</tr>
</tbody>
</table>

Narrative for Recommendation 1.1
Manager of Western History/Genealogy and Blair/Caldwell will arrange for an internal assessment to update the Denver Public Library’s (DPL’s) current guidelines for environmental risks to the special collections at the Central Library and the Blair-Caldwell African American Research Library (BCAARL). The Manager will base the update on the findings of the performance audit and the previous report from the Center for the Conservation of Art and Historic Artifacts.
RECOMMENDATION 1.2
The City Librarian, together with the Western History/Genealogy Department Manager and Facilities Superintendent, should complete a cost analysis to determine the potential cost associated with improving Denver Public Library’s ability to provide appropriate environmental conditions for special collections areas.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>The second half of 2014</td>
<td>Shirley Amore 720-865-2105</td>
</tr>
</tbody>
</table>

Narrative for Recommendation 1.2
The City Librarian with the Managers of Facilities and the Western History/Genealogy Department will complete a preliminary cost analysis to determine the budget needed to improve the environmental conditions for the Library’s special collections. Costs for upgrading or installation of new HVAC system at Central and BCAARL will be obtained within 90 days. Costs for addressing space planning needs, consolidating special collections storage areas that separate HVAC systems and addressing environmental risks related to building design may be obtained in 2014 with DPL’s involvement in the City “6-Year Work Plan” for 2013-2018 Deferred Discretionary Capital Projects including participation in the planned Facilities Condition Assessment Process. The needs assessment conducted by CCAHA recommended compact shelving should be installed on level six at Central. Replacement of traditional cantilever shelving on level six with high density compact shelving is a key element for meeting environmental standards. In 2013 DPL obtained a cost estimate for installation of compact shelving on the level six storage area and submitted a request to Budget and Management Office for funding. The estimated cost for the entire level six storage area is approximately one million dollars and approximately $451,000 for the East half of level six. BMO did not fund the request for 2014.

RECOMMENDATION 1.3
The City Librarian, with input from the Western History/Genealogy Department Manager, should develop a strategic plan for Denver Public Library’s special collections that outlines its approach for managing the growth of its special collections.

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<tr>
<td>Agree</td>
<td>3/1/14</td>
<td>Shirley Amore 720-865-2105</td>
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Narrative for Recommendation 1.3
The City Librarian, with input from the Manager of the Western History/Genealogy Department, will develop a draft strategic plan, that provides guidelines for the growth of the special collections. To compose these guidelines, the Library will review and update current procedures for new materials acquisition, review and update the 2013 compact
shelving archival storage proposal for Central and the 2011 planning and evaluation project to develop a draft strategic plan for Central and BCAARL submitted to NEH but not funded. CCAHA assessment identified the need to develop a long-term comprehensive space utilization and preservation plan working closely with architects, system engineers and all persons involved in aspects of planning storage space for preservation of collections. The estimate cost submitted to NEH for developing the plan was $40,000. Expert space utilization planning may be incorporated in DPL’s involvement in the City “6-Year Work Plan” for 2013-2018 Deferred Discretionary Capital Projects including a planned Facilities Conditions Assessment.

RECOMMENDATION 1.4
The Western History/Genealogy Department Manager, with input from the Facilities Superintendent, should develop a policy that describes Denver Public Library’s environmental monitoring program and includes key information such as location and maintenance of environment monitoring equipment, environment set points, and frequency with which environmental data should be analyzed.

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<tr>
<td>Agree</td>
<td>3/1/14</td>
<td>Michael Murphy 720-865-1151</td>
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Narrative for Recommendation 1.4
The Manager of DPL Facilities, with input from the Manager of Western History/Genealogy, will develop an environmental monitoring program and appoint a designated staff person, who is identified by job title, to compile and report the necessary data. The Managers will identify the needs along with costs for additional monitoring equipment.
AUDIT FINDING 2
Weak Security Controls Place Denver Public Library’s Special Collections at Risk for Theft or Damage.

RECOMMENDATION 2.1
In conjunction with recommendation 1.2, the City Librarian, together with the Western History/Genealogy Department Manager and Facilities Superintendent, should complete a cost analysis to determine the potential cost associated with improving Denver Public Library’s ability to provide appropriate security measures for special collections areas.

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<tr>
<td>Agree</td>
<td>3/1/14</td>
<td>Michael Murphy 720-865-1151</td>
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Narrative for Recommendation 2.1
The Manager of Facilities, with input from the City Librarian and Manager of Western History/Genealogy Department, will complete a cost analysis for potentially improving the Library’s security measures.

RECOMMENDATION 2.2
The Western History/Genealogy Department Manager, with input from the Facilities Superintendent, should develop a security plan for Denver Public Library’s special collections at Central Library and Blair-Caldwell that describes, at minimum, staff response guidelines for instances of damage or suspected theft and the security monitoring program that documents the security measures in place, strategies to make optimal use of limited resources when applicable, and requirements for the regular analyses of security data from the Andover system.

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<tr>
<td>Agree</td>
<td>5/31/14</td>
<td>Jim Kroll 720-865-1820</td>
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Narrative for Recommendation 2.2
The Manager of Western History/Genealogy Department, with input from the Managers of Facilities and Security, will develop a security plan for the special collections at Central and Blair-Caldwell. This plan will address guidelines for staff who encounter instances of damage to or suspected theft of special collections and for a monitoring program that documents the security measures in place. The plan will also include strategies to make optimal use of limited resources including data from Andover security systems.

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RECOMMENDATION 2.3
The City Librarian should bring in an outside security consultant to review security controls and procedures regarding Denver Public Library’s special collections areas and to prioritize recommendations for needed improvements.

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<tr>
<td>Agree</td>
<td>Second half of 2014</td>
<td>Bob Knowles 720-865-1110</td>
</tr>
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</table>

Narrative for Recommendation 2.3
The Manager of Security will determine the cost to bring an outside security consultant to review security controls and procedures regarding the Library’s special collection area and to prioritize recommendations for needed improvements. DPL’s 2014 budget does not identify funds to hire a consultant. Based on costs DPL will determine whether funds may be identified for a consultant or the review and recommendations will be determined internally by DPL’s Security Manager. Because some of the adjustments to the physical environment could require construction activities, it would be prudent to tangentially link the recommendations for security controls and procedures to DPL’s involvement in the City “6-Year Work Plan” for 2013-2018 Deferred Discretionary Capital Projects including participation in the planned Facilities Condition Assessment Process.

RECOMMENDATION 2.4
The Western History/Genalogy Department Manager, with input from the Senior Special Collection Manager at Blair-Caldwell, should improve, and rearrange as needed, the bookshelves in the Blair-Caldwell reading room area to improve the proctor’s ability to supervise researchers using the special collections.

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<td>1/31/14</td>
<td>Jim Kroll 720-865-1820</td>
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Narrative for Recommendation 2.4
The Western History/Genalogy Manager, with input from the Senior Special Collections Librarian at Blair-Caldwell will improve and rearrange the bookshelves in the Blair-Caldwell reading room to improve the proctor’s ability to supervise researchers using special collections. The Library has a work order in place to re-orient the bookshelves and has initiated a purchase order to acquire new security gates. We will need authorization from BMO to transfer budget and purchase the gates since they are a fixed asset.
RECOMMENDATION 2.5
The Western History/Genealogy Department Manager should update procedures at Central Library and Blair-Caldwell to ensure that the Library fully tracks and retains special collections usage data, including researcher information and item accessed, safeguards unprocessed materials, enforces the use of researcher lockers at Blair-Caldwell, and conducts regular and rotating inventory checks of special collections materials.

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<td>Jim Kroll 720-865-1820</td>
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Narrative for Recommendation 2.5
The Manager of Western History/Genealogy will update procedures at the Central Library and Blair-Caldwell to ensure that the Library fully tracks and retains special collections usage data, including researcher information and items accessed. To safeguard new materials at Blair-Caldwell, the Library will construct a wall that will divide the archival storage space from the employee work area. The Blair-Caldwell staff will review guidelines for enforcing the use of lockers in the reading room. The Manager of Western History/Genealogy will recommend procedures for conducting inventories of the collections and identify equipment to do so.

RECOMMENDATION 2.6
The Western History/Genealogy Department Manager should update and strengthen de-accession policies and procedures for Denver Public Library’s special collections to ensure that current practices match internal policy, all required steps and documentation are completed, and guidelines are in place for the documentation and approval process for the sale of special collections materials including how proceeds will be used.

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<td>Jim Kroll 720-865-1820</td>
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</table>

Narrative for Recommendation 2.6
The Manager of Western History/Genealogy Department will update and strengthen de-accession policy and procedures for the Library’s special collections. This policy and procedure will include requirements for documentation and the internal approval process and will require approval by the Library Commission.
RECOMMENDATION 2.7
The Facilities Superintendent should take immediate action to add locks to the unsecured special collections area at Central Library.

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<tr>
<td>Agree</td>
<td>12/31/13</td>
<td>Michael Murphy 720-865-1151</td>
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Narrative for Recommendation 2.7
The Manager of Facilities will take immediate action to review the access to special collections and add locks to unsecured areas.
AUDIT FINDING 3
Denver Public Library Could Improve Fundraising Activities and Oversight of Donations

RECOMMENDATION 3.1
The City Librarian, Director of Community Relations, and Director of Finance should continue to work with the Friends Foundation to enhance fundraising strategies through increased efficiency and diversification. Establishing and monitoring fundraising metrics for each fundraising activity should be included in this process and performed on each fundraising event at least annually.

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<tr>
<td>Agree</td>
<td>Ongoing – We will review each event at least annually</td>
<td>Diane Lapierre 720-865-2048</td>
</tr>
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Narrative for Recommendation 3.1

The audit identified three opportunities for the Denver Public Library Friends Foundation (DPLFF) to improve its fundraising strategy; first by increasing efficiency; second by reducing administrative costs; and third, by using more diverse and innovative approaches to connecting with the donor community. We agree that improvements in these three areas are important components of an effective overall fundraising strategy. We believe that the funds entrusted to the Friends Foundation through donations and other activities create the highest duty of care to use the funds efficiently, prudently and responsibly. We will continue to monitor the efficiency of our fundraising efforts as well as administrative expenses.

As part of the annual development and review of the fundraising activities of the DPLFF, the Director of Finance, the Director of Community Relations and the Friends Foundation, and the City Librarian are involved with setting fundraising strategies and goals in partnership with the Friends Foundation. The DPLFF Finance Committee, which includes the Finance Director, Community Relations Director and City Librarian, will meet on November 19 to review the draft 2014 Friends Foundation Budget. The budget review includes overall expenses related to the Foundation, specific budgets for each fundraising activity including special events, annual giving, book sales and estate gifts. This is the process the Foundation and the Library have engaged in since the Foundation actively resumed raising funds on behalf of the Library in 2007.

In response to the finding that the Friends Foundation fundraising could be more efficient, we agree that striving for greater efficiency in all of our fundraising activities is important. We will continue to monitor our average cost to raise a dollar and continue to meet or exceed the Better Business Bureau Wise Giving Alliance Standard 9 of 35% as noted in the Audit report.
Because of the diverse types of fundraising events, some will exceed the Better Business Bureau Wise Giving Alliance Standard in terms of cost but remain effective ways to cultivate donors and appeal to a diverse population of existing and potential Library supporters. The various fundraising events conducted by the DPLFF are primarily held to raise financial support for DPL but also serve other purposes. The impact the Friends Foundation has on our community and its effectiveness in accomplishing its mission cannot be measured solely by spending ratios.

Different activities have different measures of efficiency and effectiveness. In his book, *Fund-Raising: Evaluating and Managing the Fund Development Process* (1999) James Greenfield provided the following comparison of the average cost to raise a dollar from various fundraising activities:

1. Capital Campaign/Major Gifts $ .05 to $ .10 per dollar raised
2. Corporations and Foundations (Grant Writing) $ .20 per dollar raised
3. Direct Mail Renewal $ .20 per dollar raised
4. Planned Giving $ .25 per dollar raised
5. Benefit/Special Events $ .50 of gross proceeds
6. Direct Mail Acquisition $ 1 to $ 1.25 per dollar raised

Having a diverse and innovative approach to fundraising is important to the success of the Library’s overall development plan. While the audit focuses on fundraising activities that have a long tradition, the summer and winter Used Book Sales and the Booklovers Ball, the Foundation and the Library have a diverse approach to fundraising that includes a membership program, annual giving, grants, sponsorships, events, planned giving, and fundraising specific to new construction and endowment stewardship.

The DPLFF looks at each activity for efficiency (based on the averages above), effectiveness related to fundraising goals and objectives, and as part of an overall fundraising plan. A well developed plan includes new donor acquisition, donor cultivation and growth, the ability to appeal to different donor profiles, and always maintaining the strong and positive reputation and tradition of the Library and Friends Foundation. The DPLFF is continually evaluating fundraising activities, adding new ones, improving existing ones and discontinuing ineffective ones.

In the past five years, we discontinued the Rare Book Auction which had a 25-year history. This decision was made due to low performance. We will not be continuing the Evil Companions event in 2014 also due to an evaluation of its effectiveness as a fundraising event for the Library. In 2013, the Foundation launched a new event *What’s it Worth?* to appeal to Library supporters who collect antiques and also began participating in the highly successful online giving “Colorado Gives Day” program two years ago.
Both efforts exceeded fundraising goals. Our most recent fundraising innovation is an online “crowdfunding” appeal through Indiegogo to raise money for the ideaLab at the Central Library. The ideaLab is a space designed for teens where they can experiment with the latest technology and work with dedicated staff who provide guidance and expertise for their explorations.

Significant changes have been made to the Booklovers Ball to ensure that it remains a vibrant and efficient way to raise funds for the Library. Three years ago volunteers began asking for donations at the dinner tables. The “ask” resulted in over $17,000 of additional revenue this year. The Ball is the Friends’ signature fundraising event and allows the Foundation the opportunity to identify new donors and to reach out to existing donors to ask them to increase their level of support.

Target Corporation began supporting the Library through a $5,000 sponsorship of the Ball. They then began regularly sponsoring Library programs including “Super Saturdays” for $40,000 in 2007 and most recently Summer of Reading for $40,000 this past summer. All told, Target has given $289,000 to the Library, a relationship which began through the Ball.

The Ball also provides a means to identify donors who may not attend the Ball, but who decide to directly support a Library program or service. The Anschutz Foundation does not give directly to events, but will support the cause of the event directly. Since 2007, the Anschutz Foundation has given $55,000 to the Library’s materials budget through requests for funding the Booklovers Ball.

Certain donors only engage in supporting the Library through the Ball. Monticello Investments has been a loyal sponsor of the Ball at the $10,000 level annually for the entire history of the Ball, resulting in $160,000 of revenue.

Over the course of its 16-year history, the Booklovers Ball has netted more than $2,500,000, enabling the purchase of approximately 165,000 new books and electronic resources. While the cost to raise a dollar exceeded the Standard 9 ratio of 35%, the 2012 event still had a 43% profit margin. Eliminating this event would drastically impact our materials budget and decrease the Library’s ability to acquire new materials for our customers.

The Used Book Sales remain one of the primary ways the Foundation raises funds and is also a key community relations event. In the past three years, DPLFF has expanded the ways in which it generates used book revenue. Instead of conducting only one sale - in the summer - there is now a second large winter sale, offerings of used books for sale year round in the Central Library Coffee Shop, and an agreement for online sales through a third party vendor. The sorting and sales of the books are run almost entirely through volunteer efforts; the books are all donated by the public or discarded from DPL; and the
community directly benefits from the sale by having access to tens of thousands of items at a very low cost. At the end of the Summer Used Book Sale, we offer all unsold books at no cost to teachers and other area non-profits to support their efforts.

The auditor recommends the example of the Los Angeles Public Library in how to leverage special collections to raise funds in creative ways. For almost twenty years, DPL has been selling digital images from the extensive Western History photo collection. DPL was a pioneer in the digitization of historic photos and has long led the way in providing this content free to researchers and selling reproductions for commercial purposes. Prior to the digital images project, DPL sold reprints from negatives. To learn more about our historic photo collection, visit http://digital.denverlibrary.org/.

The Western History/Genealogy Department has also published two commercial books of images from the historic photo collection, Historic Photos of Denver (2007) and Remembering Denver (2010). Former Western History librarian, Myron Valleri, authored both titles. Historic Photos of Denver has been used as an appreciation gift by the Friends for major donors for the past six years.

The Library and the Friends Foundation will continue to look at ways to improve fundraising results through diversification of fundraising activities and improving the efficiency of existing activities. We agree with the Auditor’s Office that the net revenue method is a valuable tool in evaluating and planning fundraising activities and will include it as one of the tools used by the Friends Foundation in its annual analysis of fundraising activities to compare the relative efficiency of various activities.

The audit suggests that the Friends Foundation may be spending too much on administrative and fundraising costs during the three years covered by the review (2010 – 2012). While we agree that the percentage of revenue a nonprofit spends on administrative and fundraising is important to donors, the issue is more complex. The 2012 Bank of America study cited on page 28 of the audit report looked at the motivations of wealthy American philanthropists. The study states that wealthy donors “expect the nonprofits they support to spend an appropriate amount of their donation on general administrative and fundraising (82%) and to demonstrate sound business and operational practices (76%).” The study found that wealthy donors are motivated to give under the following circumstances:

- Being moved by how a gift can make a difference (74 percent).
- Feeling financially secure (71 percent).
- Because they give to the same organization or cause annually (69 percent).
- Because they feel the organization they are supporting is efficient (68 percent).
The study also listed the top five reasons wealthy donors stop giving to a particular charity. They are:

- The donor received too frequent solicitation or the nonprofit organization asked for inappropriate amount (38 percent).
- The nonprofit organization they supported changed leadership or activities (29 percent).
- The donor personally changed philanthropic focus or decided to support other causes (27 percent).
- The donor’s household circumstances changed (e.g., financial, relocation, employment) (22 percent).
- The donor was no longer personally involved with the organization (12 percent).

Thus, while efficiency is important, the reasons individuals give include many factors. The study summarized that “Nonprofit organizations that understand what matters most to donors, that have a clearly articulated mission, and are transparent in the reporting of both their financials and the sustainability and efficiency of their operations have a significant advantage in attracting and maintaining relationships with wealthy donors.”

Although donors state that efficiency is an important criteria in attracting donors, research shows this is not always the case. The audit report cites a 2003 study by Jordan Silvergleid. One of the statements in the background section of the study cited a Princeton Survey Research Associated International in which 79% of the respondents said it is important to know the percentage of spending that goes toward a charitable program. The purpose of this study was to determine if this survey result affected actual giving. After examining the relationship of national watchdog ratings of nonprofits to the amounts donated to the nonprofits, Silvergleid concluded that there is no significant link between donations and efficiency ratings. Other factors such as the amount spent on advertising were linked to donations.

It should be noted that two of the watchdog agencies used in the study were the BBBWGA and Charity Navigator. Ten years later, these two agencies are part of a campaign to correct the common misconception that the percentage of a charity’s expenses that go to administrative and fundraising costs is an appropriate metric to evaluate when assessing a charity’s worthiness and efficiency. The nonprofit world is moving away from spending ratios as a way to evaluate an organization. The excerpt below is currently on the GuideStar web site.
BBB Wise Giving Alliance, Charity Navigator, and GuideStar Join Forces to Dispel the Charity "Overhead Myth"

Chief Executives of Three Leading Nonprofit Information Providers Publish Letter Condemning Administrative Expenses as Measure of Performance

Release date: June 17, 2013

THE OVERHEAD MYTH

Washington, D.C.—In a historic move, the leaders of the country’s three leading sources of information on nonprofits—GuideStar, Charity Navigator, and BBB Wise Giving Alliance—penned an open letter to the donors of America denouncing the "overhead ratio" as the sole measure of nonprofit performance. The letter, signed by all three organizations' CEOs, marks the beginning of a campaign to correct the common misconception that the percentage of charity's expenses that go to administrative and fundraising costs—commonly referred to as "overhead"—is an appropriate metric to evaluate when assessing a charity's worthiness and efficiency. In response to donor expectations and funder requests, the nonprofit sector, which all three organizations provide information to and about, has often erroneously focused too heavily on overhead over the past few decades, which has starved some nonprofits from investing in themselves as enterprises and created what the Stanford Social Innovation Review calls, "The Nonprofit Starvation Cycle."

The open letter, published today on a new Web site, www.overheadmyth.com, as well as overheadmyth.give.org and www.charitynavigator.org/thebestandworstwaytopickacharity, states that "overhead costs include important investments charities make to improve their work: investments in training, planning, evaluation, and internal systems—as well as their efforts to raise money so they can operate their programs. When we focus solely or predominantly on overhead ... we starve charities of the freedom they need to best help the people and communities they are trying to serve." The letter goes on to recommend that donors focus their attention on more relevant factors behind nonprofit performance: transparency, governance, leadership, and results. The Overhead Myth letter is under a Creative Commons license, and nonprofits are welcome to print it for free and use it how they wish.

"We hope the Overhead Myth campaign will inspire nonprofits to focus on results, not ratios, when engaging with donors and funders. Our Money for Good II research shows that donors care about far more than just financial ratios," said Jacob Harold, president and CEO of GuideStar, the leading source of nonprofit
information. "Through this campaign we want to encourage donors to give with their heads as well as their hearts, and consider the whole picture when determining which charities to support. As we wrote in our open letter to donors: 'The people and communities served by charities don't need low overhead, they need high performance.'"

Nevertheless, DPL and the DPLFF believe controlling administrative and fundraising costs is important. For example, in 2010 and 2011 the Friends Foundation expenses included the salaries for two positions, an Executive Director and Development Assistant. These two positions were eliminated in 2012 and have not been reinstated. Instead, the Friends Foundation negotiated an agreement with the Library in which the Director of Community Relations also serves as Director of the Friends Foundation. This has reduced overhead for the Friends Foundation and has not had a negative impact on fundraising revenue.

DPL participates in the City's Lean initiative. The DPL Black Belt group will conduct Green Belt training for Community Relations and DPLFF staff in 2014. The Black Belt group will also conduct a Rapid Improvement Event for portions of the used book sale process to identify and eliminate waste and inefficiencies.

The Friends Foundation will continue to develop its business model focusing on all the factors listed above as well as administrative and fundraising expenses.

### RECOMMENDATION 3.2

The City Librarian, Director of Community Relations, and Director of Finance should secure properly documented agreements with all fundraising partners.

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<tr>
<td>Agree</td>
<td>We will complete an agreement with the DPLFF by 11/29/13</td>
<td>Ron Miller 720-865-2020</td>
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**Narrative for Recommendation 3.2**

Upon the successful completion of the agreement between DPL and the DPLFF, the Library will approach the Friends of Blair-Caldwell to negotiate an agreement.
RECOMMENDATION 3.3
The Director of Finance and Director of Community Relations should develop clear and concise policies and procedures related to donated assets and train Library staff accordingly.

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<td>Agree</td>
<td>1/31/14</td>
<td>Ron Miller 720-865-2020</td>
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Narrative for Recommendation 3.3
DPL currently follows the City’s Fiscal Rule 4.2 and related procedures for donated assets. However, we agree with the Auditor that we need Library specific procedures. The DPL procedures will include the process for accepting an asset, obtaining a fair market value and recording the asset.

RECOMMENDATION 3.4
The Director of Finance and Director of Community Relations should develop internal controls over the receipt, processing, and recording of donated assets and ensure that they are properly communicated to appropriate staff and implemented. Such internal controls should include, but are not limited to proper recordkeeping, segregation of duties, official confirmation for the receipt of donations, and review of financial records for donated assets by independent library staff.

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<td>Ron Miller 720-865-2020</td>
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</table>

Narrative for Recommendation 3.4
DPL needs to develop more robust internal controls for donated assets and communicate these to staff.

Please contact Ron Miller, Director of Finance and Planning at 720-865-2020 with any questions.

Sincerely,

Shirley Amore
City Librarian

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