Denver Public Library
Follow-up Report

March 2015
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Report Number A2013-004
Ms. Michelle Jeske, City Librarian
Denver Public Library
City and County of Denver
Re: Audit Follow-Up Report

Dear Ms. Jeske:

In keeping with professional auditing standards and the Audit Services Division’s policy, as authorized by D.R.M.C. § 20-276, our Division has a responsibility to monitor and follow-up on audit recommendations to ensure audit findings are being addressed and to aid us in planning future audits.

This report is to inform you that we have completed our follow-up effort for the Denver Public Library (DPL) audit issued November 21, 2013. Our review determined that DPL has implemented all but one of the fifteen recommendations made in the audit report. Despite DPL’s efforts, auditors determined that the risk associated with one of the audit team’s initial findings has not been fully mitigated. As a result, the Division may revisit this risk area in future audits to ensure appropriate corrective action is taken.

For your reference, this report includes a Highlights page that provides background and summary information on the original audit and the completed follow-up effort. Following the Highlights page is a detailed implementation status update for each recommendation.

This concludes audit follow-up work related to this audit. I would like to express our sincere appreciation to you and to DPL personnel who assisted us throughout the audit and follow-up process. If you have any questions, please feel free to contact me at 720-913-5029 or Dawn Wiseman, Internal Audit Supervisor, at 720-913-5069.

Sincerely,

Kip Memmott, MA, CGAP, CRMA
Director of Audit Services

cc: Honorable Michael Hancock, Mayor
    Honorable Members of City Council
    Members of Audit Committee
    Ms. Cary Kennedy, Deputy Mayor, Chief Financial Officer

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.
Ms. Janice Sinden, Chief of Staff
Mr. David P. Edinger, Chief Performance Officer
Ms. Beth Machann, Controller
Mr. Scott Martinez, City Attorney
Ms. Janna Young, City Council Executive Staff Director
Mr. L. Michael Henry, Staff Director, Board of Ethics
Mr. Ron Miller, Director of Finance, Denver Public Library

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.
Denver Public Library Performance Audit
Follow-up Report: March 2015

The Denver Public Library has implemented all but one of the recommendations made in the November 2013 audit report.

Background

The Denver Public Library’s (DPL’s) mission is to connect people with information, ideas and experiences to provide enjoyment, enrich lives and strengthen the community. Through its Central Library and twenty-four branch libraries, DPL provides citizens in 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—the 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 non-profit organizations that 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 from Original Audit

Environmental conditions and controls at both the Central Library and the Blair-Caldwell African American Research Library (Blair-Caldwell) were 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 maintained 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 included the potential for water damage and the lack of an internal policy for the maintenance and protection of these collections.

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

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

Findings at Follow-up

DPL developed several policies to respond to the audit recommendations, including an environmental monitoring program and a security plan to improve the preservation and security of special collections items. DPL also strengthened its internal controls over donated assets; however, DPL did not secure documented agreements with all fundraising partners.

For a complete copy of this report, visit www.denvergov.org/auditor
Audit Contact Person: Dawn Wiseman | 720.913.5069 | Dawn.Wiseman@denvergov.org
# Recommendations: Status of Implementation

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<td><strong>Finding 1: Denver Public Library’s Special Collections Are Not Maintained under Adequate Environmental Conditions and Controls</strong></td>
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<td><strong>1.1</strong> 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 Blair-Caldwell branch library.</td>
<td>DPL conducted an internal assessment of the environment-related risks to the special collections. The assessment analyzed environmental data recorded over one month. This information was then used to inform a risk assessment that identified risks to the collections from water, lighting, and temperature, among other factors.</td>
<td>Implemented</td>
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<td><strong>1.2</strong> 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.</td>
<td>DPL completed a cost analysis to determine the potential cost of improving the environmental conditions for special collections areas at Central Library and Blair-Caldwell. The analysis included the installation of water and moisture sensors, and temperature and humidity monitors, among other actions. Additional costs were included in the report, including those associated with added storage capacity as well as personnel.</td>
<td>Implemented</td>
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<td><strong>1.3</strong> 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.</td>
<td>DPL created a strategic plan to guide the growth and management of its special collections. The plan outlines the current storage capacity at Central Library and Blair-Caldwell, the growth of DPL’s collections over recent years, and three strategies to manage the growth of its collections. According to the plan, special collections senior staff will review the plan annually to make any necessary updates.</td>
<td>Implemented</td>
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<td>1.4</td>
<td>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.</td>
<td>Implemented</td>
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<td></td>
<td>DPL developed an environmental monitoring policy for its special collections. The policy assigns key responsibilities to appropriate management and staff. It also includes guidance on the environmental condition standards to be used, the location and maintenance of equipment that provides and monitors these conditions, and the monitoring needed to ensure that collections are properly maintained over the long term.</td>
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**Finding 2: Weak Security Controls Place Denver Public Library’s Special Collections at Risk for 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. | Implemented |
|                | DPL completed a cost analysis to determine the potential cost of improving the security controls and procedures for special collections areas at Central Library and Blair-Caldwell. |             |
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<td><strong>2.2</strong></td>
<td>DPL developed a security plan based on recommendations from the November 2013 audit and an independent security assessment. The plan addresses a variety of security aspects, including public and staff access to special collections and expectations regarding reporting theft or vandalism of special collections.</td>
<td>Implemented</td>
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<td><strong>2.3</strong></td>
<td>DPL obtained an independent security assessment in September 2014. Layne Consultants International, Inc. performed the assessment and provided the City Librarian with sixteen targeted recommendations to improve the security of DPL’s special collections.</td>
<td>Implemented</td>
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<td><strong>2.4</strong></td>
<td>DPL rearranged the Blair-Caldwell reading room area in a manner that improves the proctor’s ability to assist and supervise researchers. Bookshelves were moved to improve the proctor’s view of the collections, and computer kiosks that were not associated with the collections were removed from the reading room and relocated to a different part of the library.</td>
<td>Implemented</td>
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<td>2.5</td>
<td>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. DPL updated its procedures to increase the security of its special collections. The usage tracking system was strengthened for both Central Library and Blair-Caldwell, and a new system of inventory checks has been established. Additional rules were put in place to protect special collections that are accessed by researchers. Also, DPL built a wall to separate the staff work area from the special collections storage room at Blair-Caldwell.</td>
<td>Implemented</td>
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<td>2.6</td>
<td>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. DPL updated its deaccession policy and procedures as requested by auditors. Specifically, DPL assigned specific individuals and decision-making bodies with specific roles and responsibilities related to removing items from its collections. The new policy also strengthens DPL’s tracking of deaccessioned items and related documentation through the use of new filing systems. Finally, the procedures outline specific required steps regarding the sale of deaccessioned items, including how proceeds will be used.</td>
<td>Implemented</td>
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<td>2.7</td>
<td>The Facilities Superintendent should take immediate action to add locks to the unsecured special collections area at Central Library. A locking system was added to the unsecured special collections area at Central Library.</td>
<td>Implemented</td>
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<td><strong>Finding 3: Denver Public Library Could Improve Fundraising Activities and Oversight of Donations</strong></td>
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<td>3.1</td>
<td>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.</td>
<td>With assistance from a consulting firm, the Friends Foundation held a planning retreat to develop an overall fundraising strategy that included identifying specific fundraising outcomes and processes needed to accomplish those outcomes. Also, the Friends Foundation board agreed to study all fundraising activities to determine their future viability. Following this retreat, the Friends Foundation developed a strategic plan to guide fundraising activities in 2015. The plan identifies four priorities and specific actions to be used for accomplishing each priority. Overall the actions should grow DPL’s donor base and increase the effectiveness of its fundraising activities.</td>
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<td>3.2</td>
<td>The City Librarian, Director of Community Relations, and Director of Finance should secure properly documented agreements with all fundraising partners.</td>
<td>DPL finalized its contract with the Friends Foundation and held meetings with representatives from the Friends of Blair-Caldwell organization. However, the Friends of Blair-Caldwell did not agree to enter into an agreement with DPL.</td>
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<td>3.3</td>
<td>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.</td>
<td>DPL developed a policy and specific procedures for the receipt and reporting of donated assets, books, and items for the Western History and Genealogy special collection. This new policy will be included in training for all new branch staff and presented to DPL’s senior librarians in April 2015.</td>
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<td><strong>3.4</strong> 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.</td>
<td>DPL documented its internal controls over donated assets and assessed the risk level associated with its receipt and processing of these assets. The document specifies recordkeeping requirements as well as rules for confirming the receipt of donations and end-of-year reviews of donated assets. This procedure is part of the training program for new branch staff and will be presented to DPL’s senior librarians in April.</td>
<td>Implemented</td>
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**Conclusion**

We found that DPL has fully implemented all but one of the fifteen recommendations and mitigated most of the risk identified during the original audit. DPL was responsive to the audit recommendations and proactive in providing auditors with updates regarding the implementation of our recommendations. However, DPL was not able to secure a documented agreement with the Friends of Blair-Caldwell—an organization that helps to support the Blair-Caldwell branch library through private donations. Although DPL management finalized an agreement with the Friends Foundation and attempted to secure an agreement with the Friends of Blair-Caldwell, the organization was unwilling to do so, which leaves the City exposed to several risks. First, the City cannot audit the Friends of Blair-Caldwell to verify the accuracy and reliability of its financial information and its management of funds. Additionally, without an agreement, the City does not have legal authority to ensure the organization adheres to mutually agreed-upon services. As a result, the Audit Services Division may revisit this risk area in future audits to ensure appropriate corrective action is taken.

On behalf of the citizens of the City and County of Denver, we thank staff and leadership from DPL for their cooperation during our follow-up effort and their dedicated public service.