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May 18, 2022

To: Kristin Antelman, University Librarian
        Alan Grosenheider, Associate University Librarian

        Distribution

Re: **University Library – Internal Control Review**
        Audit Report No. 08-22-0006

We have completed a limited review of the University Library internal controls as part of the 2021-22 annual audit services plan. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Enclosed is the report detailing the results of our work.

We sincerely appreciate the cooperation and assistance provided by University Library personnel during the review. If you have any questions, please contact me.

Respectfully submitted,

Ashley Andersen
Director
Audit and Advisory Services

Enclosure

Distribution

University Library
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cc: Chancellor Henry Yang
       David Marshall, Executive Vice Chancellor
       Chuck Haines, Associate Chancellor for Finance and Resource Management
       UCSB Audit Committee
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UC SANTA BARBARA
Audit & Advisory Services

Audit Report

University Library – Internal Control Review

May 18, 2022

Performed by:

Antonio Mañas-Melendez, Associate Director
Irene Camargo, Senior Auditor

Approved by:

Ashley Andersen, Audit Director

Report No. 08-22-0006

EXECUTIVE SUMMARY

OBJECTIVE

The primary purpose of the audit was to evaluate effectiveness, efficiency, compliance, and the adequacy of internal controls in selected processes of the University Library (Library). The objectives of our audit were to determine whether:

- Procurement card transactions (FlexCard[1]) are adequately processed and documented.
- Collections acquisition agreements include adequate procurement clauses.
- Financial reporting and oversight are adequate and are consistently performed.
- Library budget is sustainable to support Library operations.
- Personal Identifiable Information (PII[2]) is disposed in accordance with record retention.
- Physical security at storage facilities to protect Library assets is adequate.

CONCLUSION

Based on the results of the work performed within the scope of the audit, we found the Library has established overall effective internal controls over procurement card activities, collections acquisition agreements and inventory, and overall for financial reporting in most of the Library divisions. However, our review highlighted opportunities to improve the following areas:

- Library's financial sustainability to support Library operations
- Financial monitoring and reporting within the Division of Research Sources & Scholarly Communication
- Documented inventory procedures
- PII disposal in a timely manner in Alma[3], Building Operation System (BOPS)[4], and Cyberian[5]
- Physical security of temporary storage facilities for Special Collections

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[1] FlexCard – a credit card designated to employees to purchase low-value goods or services.
[2] PII: Any information that permits the identity of an individual to be directly or indirectly inferred, including any information that is linked or linkable to that individual.
[3] Alma: University Library system to manage print, electronic, digital materials and financial management reports and workflows.
[4] BOPS is a system used collect driver licenses in the case of an infraction caused by a patron outside of UCSB.
[5] Cybrarian is a standalone computer system used to conduct Internet searches.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. PROCUREMENT AND ACQUISITIONS

OBSERVATION

Our evaluation of a selection of FlexCard transactions found overall adequate pre-approval processes and support documentation across Library departments. Additionally, we did not find any clauses in current collection acquisition agreements between Resource Acquisitions & Discovery Services (ReADS[6]) and publishers that could represent a liability for the Library.

Procurement

We found that FlexCard transactions are adequately tracked, approved, and overall includes the adequate documentation to support the business need. All Library departments, with the exception of ReADS, approve and document FlexCard transactions in Gateway[7]. ReADS uses Alma for documentation purposes.

We reviewed a sample of 30 FlexCard transactions with a high dollar value. 15 managed by ReADS, and the other 15 managed by the rest of the Library departments. We confirmed that all transaction amounts were accurate and were approved by someone other than the cardholder. However, one ReADS transaction did not include adequate support documentation to justify the business need.

Collection Acquisition Agreements

Current agreements to acquire regular collections between the Library and vendors do not include contractual obligations or liabilities to the University. Additionally, during our audit, the University Librarian formally obtained the authority for the purchase of library collections in all formats.

We reviewed four agreements[8] (two Memorandum of Agreements and two Library material purchase renewals) and found that there are not contractual clauses that would bind the University. We found the four agreements are used as a foundation to select materials to be purchased for general collections based on an approval plan to support the business need focused on subject matter profiles. These agreements support a mutual understanding of potential purchases without University obligations.

UC Policy DA 2100 recognizes the possibility to redelegate to the University Librarian for the purchase of library collections in all formats. The redelegation of authority was initiated a few years back as the result of our Delegated Procurement Authority audit (#08-15-0018). The redelegation has been recently officialized.

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[6] ReADS: Administrative unit managing acquisitions and processing of research resources in all formats, cataloging, metadata creation, electronic resource support, and digital content descriptions.

[7] Gateway: Campus procurement system.

[8] Agreements should include UC Terms and Conditions of Purchase or other clauses vetted by Procurement Services if there are contractual obligations.

2. FINANCIAL REPORTING

OBSERVATION

The Division of Research Sources & Scholarly Communication has been traditionally operating with minimal financial oversight from Library management. The Library has recently started an initiative to standardize financial practices and financial oversight for all its divisions.

We found that Library management did not receive monthly financial reports from the Division of Research Sources & Scholarly Communication, limiting the oversight over financial activities with special attention in collection acquisitions. The newly appointed Associate University Librarian for the Division of Research Sources & Scholarly Communication in collaboration with the Library Business Manager are introducing initiatives to align financial reporting processes with Library management.

Some of these processes are currently underway with a restructuring of reporting workflows that will provide complete financial visibility and automated system reporting from the Library system management tool, Alma. Alma system reports will be automatically generated and sent to appropriate Library management for review and approval.

RECOMMENDATION

We recommend that the University Library continue working to improve financial oversight of the Division of Research Sources & Scholarly Communication in order to standardize financial practices and to develop consistent financial reports for the whole organization.

MANAGEMENT RESPONSE

University Library will continue working to improve financial oversight of the Division of Research Sources & Scholarly Communication in order to standardize financial practices and to develop consistent financial reports for the whole organization. The Director of ReADS in consultation with the Business Office will determine whether the preapproval process of ReADS Flexcard transactions should be done in Gateway or should continue being documented by email.

Audit and Advisory Services will follow up on the status of these issues by September 30, 2022.

3. FINANCIAL SUSTAINABILITY

OBSERVATION

The Library is in structural deficit and expenses incurred exceed the Library's permanent budget.

We analyzed Library's permanent budget and Library expenses over a seven-year period and identified significant overdrafts that require attention. We found that the Library had approximately $4.5 million in operational deficits as of June 2021. Table 1 summarizes the assessment.

We identified an overall increase in total Library expenditures that included the building

addition and renovation, operations, general assistance, and academic and staff salaries. The Library incurred surge costs[9], outside the capital project plant account, of approximately $2.2 million. The Library contributed $1.2 million in reserves to support the building project.

Table 1	University Library Balance		
Fiscal Year	Permanent Budget	Actual Expenditures	Budget vs. Actual
2015	$16,462,332	$17,532,733	($1,070,401)
2016	16,950,754	19,336,632	(2,385,878)
2017	17,439,324	18,253,820	(814,496)
2018	17,869,199	18,473,223	(604,024)
2019	18,615,867	18,122,888	492,979
2020	19,489,739	20,496,551	(1,006,812)
2021	$19,965,215	$17,774,969	$2,190,246

Source: University Library.

The Library has been actively monitoring this situation and taking steps to reduce operational costs. The following initiatives have helped to reduce the deficit. However, general operation costs continue to exceed the Library's permanent budget and additional actions are needed to clear the structural deficit and to establish a balance between the permanent budget with actual expenditures:

- As of September 2015, $1.6 million had been reimbursed by the Office of Budget and Planning, however there is a balance of approximately $523k remaining. As a result, the addition and renovation project, compounded with operating expenditures, has aided in the structural deficit.

- A Chancellor's Library Initiative was established in 2015 to support the Library Serials and Monograph budget. A recurring amount of $250k was allocated to the Library, however this initiative is scheduled to end fiscal year 2022-23.

- Leases for rental space that were utilized for storage offsite campus were discontinued.

- The Library has been operating with less staff creating salary savings that has been used to offset most of the deficit.

RECOMMENDATION

We recommend that the University Librarian consults with the Office of the Executive Vice Chancellor and the Office of Budget and Planning to evaluate steps to manage deficits and improve financial sustainability.

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[9] Non-construction costs associated with a capital project.

MANAGEMENT RESPONSE

The University Librarian will consult with the Office of the Executive Vice Chancellor and the Office of Budget and Planning to evaluate steps to manage deficits and improve financial sustainability.

Audit and Advisory Services will follow up on the status of these issues by September 30, 2022.

4. INVENTORY OF COLLECTIONS AND SPECIAL COLLECTIONS

OBSERVATION

We found the Library has implemented adequate controls to track the inventory of collections and special collections. However, there is not a documented approval process for inventory adjustments of collections.

Physical Inventory

During our review, we found the Library has adequate controls in place to track collections and special collections inventory.

We selected a sample of 23 records in the inventory based on a high dollar value and verified that the physical location matched the inventory tracking system. Materials in our sample included artist correspondence, manuscripts, press releases, postcards, photographs, illustrations, vinyl records, fine art, diaries, serials, and journals. We found that a large collection could be recorded in one or more transactions in Alma for separate acquisitions of the same collection that happened over multiple years. In this case, the 23 records represented eight large collections.

We found that two collections were stored in more than one physical location. In one case, part of the collection is at University of California Los Angeles (UCLA) due to space restrictions at UCSB. In another case, vinyl records of the collection were archived in a specialized area for vinyl records.

Inventory Procedures

Responsibilities to manage the collection inventory is shared between two departments. ReADS is charged with cataloging purchased materials and adding the items in the inventory system, whereas Access Services role includes placing the regular collection item on the main Library floor and tracking the status and updating inventories in the system. These responsibilities have not been formally documented and the inventory procedure is in draft.

Additionally, we found that there is not an inventory adjustment approval process related to lost or missing items. We found that inventory status changes made by Access Services staff are not formally approved by Access Services management. Furthermore, there is not an approval process by Collection Strategies and Special Research Collections to approve those adjustments made in the inventory system.

RECOMMENDATION

We recommend formally documenting the inventory process, including roles and responsibilities of the main departments involved. Additionally, an inventory adjustment approval process should be incorporated in the inventory process. This will provide management an assurance of the accuracy of catalogue records, the ability to identify inconsistencies between the Library's actual holdings and its official records, and enable management to decide whether to withdraw or replace the missing or lost material.

MANAGEMENT RESPONSE

The Associate University Librarian for Research Resources and Scholarly Communication will formally document the inventory process, including roles and responsibilities of the main departments involved. Additionally, an inventory adjustment approval process should be incorporated in the inventory process. This will provide management an assurance of the accuracy of catalogue records, the ability to identify inconsistencies between the Library's actual holdings and its official records, and enable management to decide whether to withdraw or replace the missing or lost material.

Audit and Advisory Services will follow up on the status of these issues by September 30, 2022.

5. CONFIDENTIAL AND PERSONAL IDENTIFIABLE INFORMATION

OBSERVATION

There are opportunities to improve the process to disaggregate or dispose of PII in some of the major Library systems. Specifically, the disaggregation process in Alma has been on hold since the Covid-19 pandemic affected regular operations on campus. Additionally, the Cybrarian system and BOPS should evaluate their data disposal processes to be fully aligned with Library expectations.

We inquired about the process to disaggregate or dispose of PII within the five major systems in the Library: Alma, Aeon, Cybrarian, Human Resources, and Building Operations. We found the following:

- Alma collects information about what a patron has checked out and retains it for a limited time (data is wiped daily). The only exception is if there is a fine associated with the item, in which case the information will remain attached to the patron's record until the fine is paid. However, during our audit, we were informed that the process to purge patron information in Alma was halted since February 2020, due to Covid-19, therefore, records were retained longer than one year after expiration of library access retention period. We noted this process was scheduled to be restarted.

- The AEON system, special collections request system, collects data that tracks material requests. Patron's contact information is retained as long as accounts are active; inactive account are regularly purged.

- The Cybrarian system, standalone computer systems, uses the patrons UCSB Net IDs to conduct Internet searches. The patron's personal information and searches are not

collected and recorded in Cybrarian. However, names and birthdates are kept for patrons that are not affiliated with campus. Timestamps of searchers using the system are retained until computers are decommissioned.

- The Library Human Resources system does not retain PII.

- BOPS collects driver licenses, which is classified as protection level P4[10] by UC Policy IS-3. This system is used to record personal information of individuals that are not Library patrons and have created an infraction in the Library. Once the issue has been resolved the personal information is to be removed from the system. During our audit, we were informed that the Library Digital Services unit is removing the personal information from the BOPS system and is currently working to establish a new workflow.

Library employees with access to personal information are required to complete the UCSB FERPA[11] Training before access to systems is granted.

RECOMMENDATION

In order to comply with PII disposal, Library expects that patrons' PII should be disposed of after the relationship with University has concluded or disaggregated after material check outs have been returned, we recommend that the University Library:

- Resume the process to disaggregate items searched for or checked out from patrons' profiles in Alma.

- Evaluate alternatives to guarantee data disposal and disaggregation processes in BOPS and Cybrarian systems are performed in a timely manner.

MANAGEMENT RESPONSE

In order to comply with PII disposal, Library expects, the Director IT & Library Systems & Associate CIO will:

- Resume the process to disaggregate items searched for or checked out from patrons' profiles in Alma.

- Evaluate alternatives to guarantee data disposal and disaggregation processes in BOPS and Cybrarian systems are performed in a timely manner.

Audit and Advisory Services will follow up on the status of these issues by September 30, 2022.

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[10] P-4: Protection Level Classification rated as high by UC Policy IS-3: Institutional Information and related IT resources whose unauthorized disclosure or modification could result in significant fines, penalties, regulatory action, or civil or criminal violations.

[11] Family Education Rights and Privacy Act (FERPA) is a federal law that affords parents the right to have some control over the disclosure of personally identifiable information.

6. PHYSICAL SECURITY OF TEMPORARY STORAGE LOCATIONS

OBSERVATION

We performed an onsite evaluation of two temporary storage facilities used by the Library and concluded there are opportunities to improve safeguards to prevent unauthorized access and theft.

During our audit, we observed two Library storage facilities located on West Campus. We found there is not electronic access to track entry into the buildings. Access to both facilities is by physical keys that are not stored in a key management system[12]. Additionally, we found:

- Building One storage facility has a Bay alarm security system and is environmentally controlled. However, the code to turn off the alarm could be easily guessed and it should be replaced. This facility mainly stores maps and films in metal drawers. Items stored in this facility are included in the inventory.

- Building Two is a temporary storage building that does not have an alarm system and is not environmentally controlled. This building is shared with the Art, Design & Architecture Museum and therefore, access is not limited to authorized Library personnel exclusively. There were approximately 25 pallets of Saran wrapped boxes of Special Collection items. There is a catalog of items. However, these items have not been fully incorporated in the Library inventory.

We were informed that the Library is in the planning stages to occupy a building that will be exclusively used by the Library at the Devereaux site. We noted that security measures are being evaluated at this moment.

RECOMMENDATION

We recommend that the University Library evaluate appropriate controls and security measures over collections and special collections storage facilities to prevent unauthorized access and theft. Additionally, security measures should be evaluated prior to occupying the new building.

MANAGEMENT RESPONSE

The University Library Building Operations Manager & Project Coordinator will evaluate appropriate controls and security measures over collections and special collections storage facilities to prevent unauthorized access and theft. The Library will also evaluate security measures prior to occupying the new building.

Audit and Advisory Services will follow up on the status of these issues by September 30, 2022.

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[12] System that effectively manages, tracks, and controls valuable keys.

GENERAL INFORMATION

BACKGROUND[13]

University Library

The University of California, Santa Barbara Library is the university library system of the University of California, Santa Barbara in Santa Barbara, California. The UCSB Library is located at the center of campus. It serves the university faculty, staff, and students, as well as the broader Santa Barbara community.

The Library includes four facilities: Two libraries the Main Library (Davidson Library) and the Music Library and two annexes. The library has some three million print volumes, 30,000 electronic journals, 34,450 e-books, 900,055 digitized items, five million cartographic items (including some 467,000 maps and 3.2 million satellite and aerial images), more than 3.7 million pieces of microform, 167,500 sound recordings, and 4,100 manuscripts.

The Main Library holds the general collection and several special collections: The Sciences and Engineering Collection, the Map and Imagery Laboratory, Curriculum Resources, the East Asian Collection, the Art & Architecture Collection, and the Ethnic and Gender Studies Collection. The Department of Special Research Collections is also part of the Main Library. Special Research Collections hold rare books and manuscripts and several collections, which include the Performing Arts Collection, the Wyles Collection on the American West, the Skofield Printers' Collection, and the California Ethnic and Multicultural Archives. The main Library has eight floors.

The Music Library is a branch library of the UCSB Library, holding materials relating to music. The Music Library is housed on the second floor of the Music Department building, and includes some 25,000 LP records.

SCOPE

The scope of our review was focused on University Library internal controls during fiscal year 2020-21. To accomplish our objectives, our work included interviews, observations, review of support documentation, testing, and other steps. Specifically, we:

- Researched UC and UCSB policies, best practices, and other guidance concerning the Library.

- Conducted interviews with University personnel to gain an understanding of the Library's processes, policies, and procedures for administering and managing University assets.

- Performed a risk analysis that considered business related policy and procedures, roles and responsibilities, separation of duty, data integrity, and financial stability.

- Evaluated Library business processes to determine whether they incorporated adequate internal controls and reviewed opportunities to enhance and improve operational efficiency.

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[13] UCSB Library website.

- Tested a sample of FlexCard transactions to determine whether there is adequate tracking, approvals, and documentation over purchases to support business needs.

- Reviewed collection acquisition agreements to ensure they do not include any Library obligations without incorporating the adequate clauses, such as UC Terms and Conditions of Purchase.

- Analyzed Library's financial sustainability by comparing the Library permanent budget with actual expenditures.

- Inquired about the process to disaggregate or dispose of PII within the five major systems to manage the business operations in the Library to determine whether they meet Library expectations.

- Reviewed collections and special collection inventory processes, including inventory adjustments and approvals.

- Performed a physical observation of security measures in place at two storage facilities.

CRITERIA

Our audit was based upon standards as set forth in UC and UCSB policies, best practices, and other guidance relevant to the scope of the audit. This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- University of California Business and Finance Bulletin BUS-43, *Purchases of Goods and Services, Supply Chain Management.* (UC Policy BUS 43)

- University of California Business and Finance Bulletin BFB-IS-3, *Electronic Information Security*. (UC Policy IS-3)

- University of California Business and Finance Bulletin BUS-54: *Operating Guidelines for University Supply Inventories*. (UC Policy BUS-54)

AUDIT TEAM

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