



INTERNAL AUDIT REPORT

GUELPH PUBLIC LIBRARY

August 19, 2016

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SUMMARY

The overall objective of this review was to assess the efficiency and effectiveness of operations in place at the Guelph Public Library (GPL) to deliver services, the adequacy of board governance and the reasonableness of the cost of service delivery.

The operations appear to be well managed at all library branches with effective processes in place to meet the needs of library patrons and to ensure that GPL is accountable for the tax payer monies extended to them by the City of Guelph.

There are 35 recommendations in total in this report. Recommendations are made to strengthen the relationship between the City and GPL, and to increase opportunities to make known notable achievements of GPL to City Council. Further recommendations are made to improve governance processes as well as to ensure GPL operational controls are strengthened.

Of particular interest to the reader maybe how closely the trends in key expenditure categories at GPL as well as other GPL activities track against the experience of other Ontario Libraries over the recent years as depicted in Appendix A to this report. The Ontario Library data was obtained from research conducted by the Federation of Ontario Public Libraries.

GPL has 6 library locations (including the Main Library) located in each Ward within the City of Guelph. Comparator libraries we surveyed have 3 or 4 locations to serve the public. However, the Cambridge Public Library serving a similar population base is in the process of constructing a new library and Waterloo plans to add a new library in 2020.

Internal Audit used the comparator library statistics as published by the Ministry of Culture, Tourism and Sport to compare GPL performance to that of Cambridge, Waterloo and St. Catharines. The statistics are self-reported by municipalities and the Ministry does not conduct an audit of these statistics. Internal Audit noted several anomalies in reported statistics and conclude that there is a high likelihood of inconsistencies in reporting. As such, the reader is cautioned in making conclusions based on the comparative statistics depicted in the Exhibits in this report.

GPL's operating expenditures (Exhibit 4 on page 18) as well as staffing costs (Exhibits 5a and 5b on pages 18) when analyzed on a per branch basis appears to be reasonable and in line with comparator libraries. The benefits GPL employees receive are higher when compared to at least 2 of the 3 other libraries surveyed (Exhibit 5c on page 19).

The one area where GPL's costs are not in line with other comparator libraries is in the cost attributed to facilities (Exhibit 6a and 6b on page 19 and 20). The Main Library is owned by the GPL Board and there is a common charge based on square footage occupied levied by the Parks and Recreation Department for a library location within the West End Recreation Centre (WERC). GPL contributed towards the building of the WERC and in substance "owns" the area

within WERC where the library is located. All other library branches are located within privately owned property which add to the facilities cost. Most of the library branches for the comparator municipalities are located within City buildings and nominal rent is paid.

The Study done by BMA consultants comparing per capita expenditures of libraries with a population threshold over 100,000, has been appended (Appendix B) to this report. Based on preliminary work undertaken on the validity of reported data, Internal Audit does not recommend making direct comparisons in performance between various municipal libraries.

Appendix C to this report includes commentary on the three comparator libraries we selected to benchmark GPL operations against as part of this audit.

RECOMMENDATIONS

- 1. In order to obtain savings to facilities cost, it is recommended that, the CEO and the Board of GPL be proactive in their attempt to get library branches in Guelph re-located at City owned property whenever the opportunity arises.**
- 2. To ensure adequate financial expertise on the Board, it is recommended that the GPL Board actively solicit an individual with financial expertise to join the Board; once an individual with financial expertise is on the Board, the City Treasurer attendance at meetings be discontinued; in the meantime, the City Treasurer should continue to attend the GPL Board meetings on a regular basis at meetings where financial matters are on the agenda.**
- 3. In order to provide independent assurance to the Board that GPL finances are being managed adequately, it is recommended that the Board consider retaining the services of a Certified Professional Accountant to conduct an annual audit of GPL. In this regard, there may be cost savings in having the City's external auditor issue a separate audit report on Schedule 5 to the Board.**
- 4. To ensure financial reports are understandable and conducive to decision making, it is recommended that GPL staff work with the Board to decide on a format for their financial reports to the Board; it is also recommended that they discuss whether quarterly instead of monthly financial reports in the new format will provide adequate assurance to the Board of the financial performance of GPL. The format should include brief written explanations for variances.**
- 5. To ensure Council is kept apprised of GPL activities, it is recommended that the CEO present the Annual Report of the Library to Council at large and also keep Council abreast of any notable events, awards and achievements of GPL as necessary throughout the year through short presentations to Council.**

6. In order to improve and encourage better communication between GPL and the City, it is recommended that the General Manager IT should add all GPL employees who have a GPL e-mail address to the City's Outlook database; in addition, it is recommended that the database be cleaned up so that there is only one address per employee.
7. In order to formalize the Library Working Group activities and ensure that issues of concern to both parties are brought forward and resolved with accountability assigned for timely resolution and action, it is recommended that the Deputy CAO Public Services ensure that regular meetings occur with GPL, with formal agenda setting and minutes.
8. To enable the HR Coordinator GPL to retain up to date information on all positions at GPL, it is recommended that the facilitator of the Joint Job Evaluation Committee copy the HR Coordinator on the letter and rating sheet for both CUPE and management positions at GPL when they are finalized.
9. In order to ensure that all staff using the City Procurement System continues to be up to date on changes in policies and procedures, it is recommended that the Manager of Procurement ensure that any training offered to City staff and any communication, deemed necessary, is extended to the Library staff on a timely basis.
10. In order to create efficiencies and address timing delays in processing HR documents for managing staffing issues, it is recommended that the City HR staff, GPL HR Coordinator and the Director of Operations at GPL form a short term working group to discuss various areas where responsibilities could be shifted to GPL and the process to be followed to do so. Any tools and checklists to conduct the tasks more effectively and efficiently should be shared.
11. In order to benefit from a good understand of the HR Specialist function at the City, and to get familiar with the way the City conducts their business, it is recommended that the CEO, at the Library, in consultation with the General Manager Human Resources, arrange a meeting between the HR Coordinator and one or more HR Specialists to facilitate an understanding of how responsibilities are carried out by City HR staff.
12. In order to maximize economy for the City and establish a good working relationship between the two entities, it is recommended that the City's General Manager IT or designate work with Manager IT at GPL to develop a formal procedure for the co-ordination of information technology activities between the City and GPL; Such procedures should include clearly defined steps to be taken to make GPL aware of all significant opportunities that are available to the City as outlined in this report.

- 13. In order to ensure that the Information Technology equipment currently available and any planned additions are of continuing value to the public, it is recommended that a study be conducted to inform GPL of public needs.**
- 14. To ensure that the equipment available to the public is kept current and is adequately maintained, it is recommended that the cost of maintenance and capital costs to upgrade computerized equipment as required be forecasted and built into the budget for the GPL IT department on an annual basis.**
- 15. In order to ensure central control of equipment, it is recommended that the GPL IT department retain a centralized listing of all electronic equipment purchased by GPL or granted by other organizations and maintained at branches.**
- 16. In order to ensure adequate security and confirm existence of equipment, an annual physical inventory of all IT assets should be conducted by the GPL IT department staff; following the inventory count, recommendations relating to adequacy of asset security, obsolescence or need for replacement should be made to the branches housing the equipment.**
- 17. In order to ensure proper processes and trail of authorized requests, it is recommended that adding software to computers be governed by a formalized request process made to the IT department by Library staff. Library staff need to be made aware of the risk of introducing virus to computers when adding freeware and this should be communicated to them by the IT staff whenever a new addition is requested.**
- 18. In order to ensure each area within GPL is responsible for their respective expenditures, there needs to be a budget line created for computer related expenses and for photcopy/printer related expenses. IT should only be responsible for costs that are within their immediate control and those supported by their mandate.**
- 19. To meet customer needs and maximize the benefits of the existing VDI solution, it is recommended that the CD-Rom capability of the 4 physical computers be discontinued and the VDI solution installed in the computers.**
- 20. To ascertain customer need for use of CD-Rom/DVD capabilities on computers and meet this level of need, it is recommended that GPL track related customer requests for a period of time and address identified need through the purchase of one or two laptops with CD-Rom features.**
- 21. To add benefit to GPL and keep abreast of current trends in municipal accounting, it is recommended that the Director of Operations undertake one or more formal training**

courses in accounting practices offered to Controllers of non-profit or government organizations.

22. To ensure standard operating procedures are available for functions performed, it is recommended that GPL commence the documentation of standard operating procedures formulating a timetable and deadlines for their completion. Those procedures surrounding functions of higher risk should be completed first.
23. In order to ensure duplication is avoided, responsibility for the completion of purchase orders be assigned to one primary Clerical staff with backup individual taking on these responsibilities only during the absence of the person having primary responsibility.
24. To ensure that signing authorities at GPL are in line with that in the WAM system at the City, it is recommended that GPL consider if there is merit to extending signing authority to their IT Manager who reports to the CEO. If this is warranted, then the City IT and Purchasing staff be notified accordingly. If not, the City should be notified so that the ability to authorize on the WAM system is removed.
25. To ensure accurate records are maintained, it is recommended that the CEO communicate authorization limits, for staff responsible for authorizing purchases, to the City IT and Purchasing staff ensuring that all records and limits are up to date. These records should be maintained regularly and the City notified of changes.
26. In order to ensure adequate signing authority levels, it is recommended that a senior management staff be designated to sign on behalf of CEO in his/her absence; in such circumstances, the Board Chair should be notified and his/her approval obtained prior to sign off; in addition, the approval limits should be re-visited at a Board meeting, decisions recorded in minutes and communicated to the City by the CEO for their action.
27. In order to ensure safety of assets kept within the safe, it is recommended that the safe combination be changed when staff having access to the safe are no longer in the employ of GPL or are transferred to another branch.
28. To ensure the safety of the Pre-paid Cards, it is recommended that the Tim Horton's Cards be reconciled each time they are replenished or more frequently if the replenishment only occurs after a long period.
29. To ensure compliance with the VISA Card policy and best practice, it is recommended that GPL request a VISA Card for the individual purchasing books online. If a higher limit is needed on any given VISA card, this should be requested providing proper authorization from City Purchasing.

- 30. To minimize errors relating to cash handling, it is recommended that the Revenue Clerk schedule annual training at each branch location to train Managers as well as staff on proper processes to be followed and during this visit recommendations could be made to branch Managers to improve processes and enhance security surrounding cash where deemed necessary.**
- 31. To minimize the risk of misappropriation of monies related to proctoring exams, it is recommended that the booking and cancellation of appointments and control of the calendar be assigned to a separate individual, thereby segregating incompatible functions. The calendar should be available on a Read Only basis to the librarian in charge of proctoring and collecting monies; monies collected by the proctor should be reconciled by a Clerk to the number of appointments made on a monthly basis.**
- 32. To ensure that a fair fee is charged for proctoring, it is recommended that GPL consider conducting a survey among other libraries in Ontario and Canada and determine if these fees can be increased at GPL.**
- 33. To ensure payment for mailing exams is collected, with minimal effort for all concerned, it is recommended that GPL set standard amounts that students have to pay upfront for the mailing of their exams. This amount should be reviewed annually to ensure GPL keeps abreast of increasing mail/courier charges.**
- 34. To more accurately reflect electronic purchases for reporting to the Ministry and to be able to segregate print material to enable accurate amortization as required by the Tangible Capital Assets policy, it is recommended that GPL request the creation of a separate object code for tracking electronic purchases.**
- 35. To ensure awareness of library patron needs, it is recommended that GPL consider conducting a survey of library patrons to determine their specific needs and to enable adjusting services offered to better meet the needs of the public served. Such surveys should be conducted on a regular basis prior to formulating strategic direction for the Board.**

INTRODUCTION

According to a recent study and survey conducted by the Federation of Ontario Public Libraries, in 2014, 99% of Ontarians live in communities served by a public library and 74% used their library in the past year through 1,157 library service points¹. The same survey indicates that Ontario libraries circulated 131 million items during 2014, received almost 72 million in-person visits and provided nearly 204,000 programs with over 3.3 million in attendance.

In comparison², the Guelph Public Library (GPL) serves a population of over 126,000 and 72% used their library in 2015 through 30³ service points. GPL circulated 2,104,370 items during 2015, received 1,054,473 visits and provided 1,678 programs with 47,712 in attendance.

Appendix A to this report indicates that for the most part, key activities at GPL including expenditure categories follow the trends experienced in comparator Ontario Libraries over the recent years.

BACKGROUND

The City of Guelph's Internal Audit Division conducted an independent risk assessment of several City programs and services as part of deciding on projects to audit for the 2016-2018 period. The Guelph Public Library (GPL) was flagged as a priority by the Internal Auditor during this assessment and an audit of GPL was included in the finalized Work Plan which received City Council approval on February 22, 2016. The Library Board was formally notified by the Internal Auditor of her intent to audit on April 1, 2016 and voted to proceed with the audit at their Board meeting of April 19, 2016.

The formal Intent to Audit correspondence agreed that the draft report would first be delivered to the GPL Board for comment prior to being finalized and presented to the Library Board and then to the Audit Committee (current Committee of the Whole).

The expected outcomes of the audit as stated in the formal correspondence between the Internal Auditor and GPL Board dated April 1, 2016 is as follows:

“The final report will include a collection of non-binding recommendations to the Board of the Guelph Public Library. It will be up to the discretion of the Library whether to leverage any recommendations made. A management response for each recommendation stating “Agree” or “Do Not Agree” with brief management comments is expected and will be appended to the report. The recommendations may inform future budgeting and annual planning internal to the library or in partnership with the City of Guelph.”

¹ main libraries, library branches, deposit stations and bookmobile stops

² GPL statistics are a subset of the Federation of Ontario Library statistics

³ Includes stops made by the Bookmobile

OVERVIEW/HISTORY

The history of GPL dates back to 1882, when the Free Libraries Act was passed allowing municipalities to establish libraries supported by local taxes; library services were made available to all residents of Guelph in February 1883.

After several relocations, and to accommodate the growing resident population in Guelph, the 100 Norfolk Street main library opened its doors to the public in November 1965 and by 1974, the library had expanded to 29,500 sq. feet on 3 levels. In 2015, a daily average of over 3,000 people entered GPL and over 2.1 million resources were checked out from GPL.

In addition to the Main branch, GPL operates 5 branches and a Bookmobile started in the early 1980s. The West End branch operates out of the West End Recreation Centre. Exhibit 1 below shows the year each branch was built and the square footage of each branch location (includes the Main branch).

Exhibit 1: GPL Library branches and Square Footage

	Year Built	Square Footage
Main	1965	29,500
Bullfrog	1983	3,500
Scottsdale	1986	4,787
West End	2001	4,600
Westminster	2006	9,787
East Side	2010	7,192

GPL is governed by an eleven member board as established by the Ontario Public Libraries Act and appointed by Council of the City of Guelph.

In 2015, City Council approved a budget of \$8,373,835 for GPL. A further \$167,700 was received from the Province of Ontario and \$381,800 of self-generated revenue and donations were added to the monies available towards GPL expenditure. Exhibit 2 below outlines the operating budget of GPL over the past number of years.

Exhibit 2: GPL Council Approved Budget 2012 - 2016

Year	Operating Budget	% Increase Yr. over Yr.
2012	7,792,000	N/A
2013	8,027,925	3
2014	8,209,620	2.2
2015	8,373,835	2
2016	8,541,340	2

In 2015, the Guelph Public Library had 80.5 full time equivalent (FTE) staff consisting of 51 full time and 99 part-time staff. The number of FTEs has not increased since 2012 and prior to that time additions to staffing took place with the opening of the Westminster in 2006 and again with Eastside in 2010.

Exhibit 3 below outlines staffing by location.

Exhibit 3: Staffing by Location

Location	FTE
Main	48.7
Bullfrog	5
Bookmobile	1.2
Scottsdale	6.4
West End	5.9
Westminster	6.7
Eastside	6.6
Total	80.5

AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

In accordance with the Internal Audit 2016-2018 Work plan, the City's Internal Auditor initiated a review of operations at the Guelph Public Library.

The overall objective of this review was to assess the efficiency and effectiveness of operations in place at the GPL to deliver services, the adequacy of governance and the reasonableness of cost of service delivery.

The scope of the review included:

- Adequacy of management, financial and expenditure controls; procurement practices and adherence to policies;
- An evaluation of branch effectiveness;
- An assessment of the adequacy of Board oversight over Library operations including the information shared with the Board and frequency of reporting;
- An understanding of the current state of libraries in Ontario.
- An understanding of the demand for library services in Guelph and related costs compared to other comparator municipalities/regions.

The audit methodology included the following:

- Discussions with the current Board Chair relating to Board governance; attendance at a Board meeting and review of minutes and reports submitted to the Board by GPL management;

- Walkthroughs to several branch libraries and discussions with branch managers;
- Review documented policies and procedures where available;
- Discussions with all levels of staff about work processes in purchasing/payables cycle and the revenue cycle; walkthrough of pertinent activities; review of documentation;
- Discussions with staff in various departmental staff including representatives from Information Technology, Human Resources, Cataloguing, Communications, Marketing and Innovation and Technical Services;
- Communicated with the representative from the Ministry of Tourism, Culture and Sports (the “Ministry”) who collects and presents the data that is made available relating to the Libraries;
- Discussions with the President, BMA Consulting Inc. relating to the compilation of their annual studies;
- Review of information technology and expenditure controls specifically relating to the purchase of library materials;
- Review of financial information submitted to the Board;
- Reviewed and ensured reconciliation between financial data submitted by GPL to the Ministry and the Schedule 5 for GPL submitted with the City’s Consolidated financial statements;
- Verification of support and authorization for selected expenditures incurred throughout 2015 and 2016 to date including purchase card expenditure;
- Review of audit reports conducted on public libraries in other jurisdictions;
- Surveys and interviews with CEOs of 3 other libraries (Cambridge, Waterloo, St. Catharines) serving a similar size population as Guelph;
- Review of research conducted by the Federation of Ontario Public Libraries and attendance at a presentation by its Executive Director on the current status of libraries across Ontario; and
- Analysis of various trends over the past number of years pertaining to GPL.

The review was conducted in accordance with generally accepted government auditing standards. Those standards require that I plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for my findings and conclusions based on the overall audit objective. I believe that the evidence obtained provides a reasonable basis for my findings and conclusions based on the overall audit objective.

City staff employed in the conduct of this review was properly supervised in accordance with the aforementioned standards.

RESEARCH UNDERTAKEN

GPL performance against Current trends in the world of libraries

According to a recent Municipal World article⁴, “libraries play a key role in helping residents embrace cultural diversity and welcome newcomers with acceptance and understanding. Library programs, events, displays and community conversations serve to build bridges across differences and cultivate an inclusive community”. And again in another article⁵ “public libraries are recognized as important cultural resources and library staff are valued for the knowledge of the community they bring to the table, coupled with their commitment to nurturing local culture”

In this regard, GPL has kept pace with the changing public need, offering library programs over and above the traditional library services such as ESL conversation groups, employment workshops, social media and computer literacy, adult learning, early literacy and programs for seniors.

Examples of such efforts are noted below.

Information pages are available via the GPL website in 8 different languages (French, German, Simplified Chinese, Traditional Chinese, Polish, Spanish, Vietnamese and Hindi) since 2012 and provide information on library locations, hours, how to obtain a library card and what services are available to the public. GPL also subscribes to 2 ESL/Language databases (Mango and Muzzy, the latter specifically geared for use by children) offering users the opportunity to learn over 72 different languages as well as an ESL language learning component. In 2015, the Mango database had over 1,325 users.

GPL also subscribes to Press Display Library, a database that provides access to newspapers from all over the world, available in several different languages. In addition GPL has an adult literacy collection as well as a multilingual collection in print format to assist customers wanting to learn English.

GPL in partnership with the Upper Grand District School Board loans out Chrome computers, belonging to the School Board, to students. Students checking out a computer need to be registered to attend a school within the School Board district and have a valid student ID card. This program is becoming increasingly popular among students who do not have a computer at home to complete their homework as increasingly homework assignments are made available online by teachers and completion calls for use of a computer.

⁴ Madziak, Ann Marie; Municipal World May 2016; “Public Libraries, Key to Newcomer Success”

⁵ Madziak, Ann Marie; Municipal World September 2015; “Public Library Staff, Champions and facilitators of local culture”

The BMA Municipal Study (the “Study”) 2015

Since 2000, BMA Management Consulting Inc. has annually completed a municipal comparative study on behalf of participating Ontario municipalities. According to the Executive Summary of the study it “identifies both key quantifiable indicators and selective environmental factors that should be considered as part of a comprehensive evaluation of a local municipality’s financial condition. Use of the Study over a number of years provides trends to allow decision makers to monitor selected indicators over time.”

The reported statistics in the study for the City of Guelph is reproduced in Appendix B of this report.

The study is issued to the City of Guelph each year and presents the analysis of how GPL compares to other municipal libraries. The study by BMA Management Consulting Inc. for the municipal libraries, is sourced from the 2014 financial information returns (FIR)^{6, 7} submitted by municipalities to the Ministry of Municipal Affairs. The population data used in the Study is estimated based on projections for 2015 done by another firm, Manifold Data Mining using the last available census data (2011).

It should be noted however that the Ministry who publishes the FIR cautions the users of the data with aggregating data and/or making comparisons between Municipalities and/or between different reporting years. Also, the Ministry states that the data is posted on the site regularly and at a specific point in time, data may be missing or incomplete.

The introduction in the study to the section on the Library states that, “Each municipality’s results are influenced to varying degrees by a number of factors including:

Access: number and size of branches and hours of operation mean municipalities with lower population densities may require more library branches and more service hours to provide services to residents within a reasonable distance

Collections: size and mix, as well as number of languages supported

Library use: mix, variety and depth of library uses and the varying amount of staff resources

Demographics: socio-economic and cultural make-up of the population served”

According to the study, with a reported population of 130,368 for 2015, the City of Guelph falls within the category for population greater than 100,000. Appendix B indicates that Net Costs per Capita excluding and including amortization, is the highest in Guelph as compared to that of

⁶ The FIR is the main data collection tool used by the Ministry of Municipal Affairs to collect financial and statistical information on Municipalities. The FIR is a standard document comprised of a number of Schedules which are updated each year to comply with current legislation and reporting requirements.

⁷ Notes to the FIR states: “Users of the Data should be cautious with aggregating Data and/or making comparisons between Municipalities and/or between different Reporting years”.

other municipalities whose population is greater than 100,000. According to the author of the study, these net costs per capita are calculated using the information on the FIR (Schedule 40 – operating expenses **less** Schedule 12 – Revenue to arrive at a net expenditure total which is **divided by** population projected for that municipality for any given year).

Per Internal Audit inquiry, Schedule 12 does not include all revenues and as such obtaining revenue data solely using Schedule 12 understates the total revenue for Guelph and thereby overstates the net expenditures used in the per capita calculation.

The intent behind the FIR is that all municipalities complete the returns using the same methodology, but in reality, municipalities could have different interpretations and practices. An example is rental income. Rental income could be separated out on Schedule 10 as a separate line item and therefore would not be included in BMA's analysis, or it could be separated out on Schedule 12 because it could be considered a "User fee/service" charge for renting space.

We also noted that the Guelph's Schedule 40 operating expenses includes total expenses for books purchased in 2014. Each municipality should have a Tangible Capital Asset policy that states their thresholds for capitalizing assets and the rates that the organization amortizes assets. Depending on the organization's policy and the expected lifecycle of their collection, these costs could vary significantly. In addition to this, the City capitalizes items at a corporate level and therefore the library's capital additions were not shown on a line by line level. [NOTE: Internal Audit has made a recommendation in this report to address capitalization of printed material in the section titled "Accounts Used for Financial Reporting"]. If other comparator libraries had capitalized and amortized their book purchases in a different manner, then their expenses could be reduced in comparison to Guelph. Internal Audit analysis indicates that expenditures in the specific FIR line item on schedule 40 could be overstated as much as \$1M.

Internal Audit observes that each municipality has a unique way of coding various costs based on the structure of their chart of accounts and as such straightforward comparison should not be undertaken by users without further inquiry.

Internal Audit did not audit the FIR information and the above are only examples of possible differences in the presentation of data by the City of Guelph in two of the schedules included in the FIR. It stands to reason that other municipalities that are noted as comparators may choose various practices or make errors in presentation that would be included in their FIR statements and as such, using this information for comparative purposes between municipalities is not prudent. In addition, a municipality may decide to change a practice of reporting in any given year (i.e. capitalize books at a detailed level going forward in accordance with Internal Audit recommendation in the example above) with no indication that they have done so in the

Schedules and using data from Schedules taken at face value would then impact trends year over year and between municipalities.

In addition, the population growth of one municipality could differ greatly from another which may not be properly factored into the population statistics used in the study to calculate per capita expenditure.

In conclusion, without an audit to review the integrity of the practices and consistency of reporting on the FIR by various municipalities and given the caution against comparison issued by the Ministry, drawing conclusions based on Library performance between various municipal libraries as done in the study is not prudent.

Ministry Published Statistics

Public libraries in Ontario are the responsibility of the Minister of Tourism, Culture and Sports and each year the Ministry requires the completion of the Annual Survey of Public Libraries which is an accountability requirement for all Ontario public libraries and First Nation public libraries in accordance with the Public Libraries Act's Regulation 976. This is a requirement for annual funding from the ministry including public library operating, pay equity, and strategic services from the Ontario Library Service agencies. Less than .02 percent of the funding the Guelph Public Library receives is from the provincial government.

The data is collected from 380 public libraries in Ontario to inform government as well as ministry policy and program work and to provide the Minister with information about Ontario public libraries, normally at the provincial level.

Once the self-reported statistics are compiled⁸, they are shared with all libraries by the Ministry. According to the Ministry, when the statistics are available, the information can be compared against libraries of like size to inform boards, management, staff and the public.

Internal Audit has outlined the areas of significant differences in 2014 between Guelph and the 3 comparator libraries selected for survey/interviews and provide comments below. However, it should be noted that Internal Audit noted several anomalies in the reported statistics and conclude that there is a high likelihood of inconsistencies in reporting.

⁸ Note that these numbers are not subject to an audit by the Ministry. According to the Ministry they contact over 200 libraries in any given year seeking clarifications and corrections focusing on data that is clearly erroneous, numbers that do not match provincial figures and statistical outliers.

Operating Expenditure

Exhibit 4: Operating Expenditures 2014⁹

Municipality	\$	# of Branches	Cost per Branch ¹⁰
Guelph	8,703,272	6	\$1,450,545
Cambridge	5,661,692	4	\$1,415,423
Waterloo	5,382,254	3	\$1,794,085
St. Catherine's	5,491,857	4	\$1,372,964

GPL has been in existence since 1883 and was the first library opened in Ontario. Historically GPL appears to have enjoyed strong Council support to build a branch to service each ward and add a bookmobile to service patrons who cannot easily access a branch library due to varied reasons. None of the other comparator libraries have a bookmobile. The cost of operating the Bookmobile has been absorbed in the cost per branch calculation above.

Staffing

Exhibit 5a: Staffing information by Municipality 2014⁹

Municipality	Staffing \$	Full time Staff	Part-time Staff	Professional Librarians ¹¹
Guelph	5,587,076	51	99	13
Cambridge	4,015,542	43	44	14
Waterloo	3,954,063	25	70	8
St. Catherine's	3,611,665	39	65	13

Exhibit 5b: Staffing Costs per branch by Municipality 2014⁹

Municipality	Staffing \$	# of Branches	Cost per branch \$ ¹⁰	Staffing as % of Operating Costs ¹⁰
Guelph	5,587,076	6	931,179	64%
Cambridge	4,015,542	4	1,003,885	71%
Waterloo	3,954,063	3	1,318,021	73%
St. Catharines	3,611,665	4	902,916	66%

⁹ Statistics published by the Ministry of Tourism, Culture and Sports

¹⁰ Calculated by Internal Audit

¹¹ Professional Librarians have a Masters in Library Science degree and could work on a full or part-time basis

Exhibit 5c: Benefits %s by Municipality¹²

Municipality	Full time	Part-time with OMERS	Part-time NO OMERS
Guelph	29%	27.2%	17%
Cambridge	35%	25%	N/A
Waterloo	20%	24%	N/A
St. Catharines	17.3%	3.3%	N/A

One factor to consider when comparing staffing costs is whether or not library staff are unionized. GPL environment is unionized and staff wages and benefits (including that of GPL management) are tied to the City of Guelph’s job evaluation process. Of the three municipalities surveyed, one (St. Catharines) has a unionized environment while the staff in Cambridge and Waterloo are not unionized.

Facilities Cost

One of the key differentials in cost between the comparator libraries and GPL is the facilities costs depicted in below Exhibits.

Exhibit 6a: Facilities/Utilities Information by Municipality¹³

Municipality	Cost to Library 2014	# of Locations	Cost per branch 2014 ¹⁰	Comments
Guelph	\$1,195,411	6	\$199,235	1 No rent; 5 rent paid; 1 bookmobile (rent for parking - \$3.6K)
Cambridge ¹⁴	\$ 417,070	4	104,267	3 No rent; 1 cost shared with School Board ¹⁵
Waterloo ¹⁶	\$ 369,259	3	123,086	3 No rent
St. Catharines	\$ 507,989 ¹⁷	4	126,997	3 Minimal rent ¹⁸ ; 1 rent paid ¹⁹

¹² This information is based on discussions with the CEOs of each library.

¹³ The facilities cost as reported by Ministry include repairs and maintenance, insurance, janitorial services, snow removal and landscaping as well as rent and utilities.

¹⁴ Currently in construction - a new facility scheduled to open at the end of 2017.

¹⁵ Partnership with the Separate School Board - the property is owned in part by the City and in part by the School Board. The operational costs are shared with the school as it is both a public library and the school library.

¹⁶ A new facility scheduled to open in 2020.

¹⁷ 2015 facilities/utility cost used for St. Catharine’s (submitted October 31, 2016) as the 2014 data to Ministry did not appear reasonable (upon Internal Audit review).

¹⁸ Central Library lease \$1.00/year; Port Library heritage building owned by City - \$600/year; Dr. Huq Branch lease \$2.00 a year (co-located with a pool in City owned building).

¹⁹ The library is in a plaza; lease cost \$40,400.

As can be seen in Exhibit 6a, facilities costs are high for GPL as compared to other libraries surveyed as premises where the GPL branch libraries are located are owned privately²⁰, while in the other Cities surveyed, most library locations are in City owned buildings. In addition GPL has more branches than the other comparator libraries and this is reflected in the higher facilities cost.

The below Exhibit itemizes facilities cost for 2015 by branch location for GPL.

Exhibit 6b: 2015 Total Facilities Costs for GPL by branch (*including rent, utilities, maintenance*)

Branch Location/Size	2015 Actual²¹ \$
Main Library	401,906
Bookmobile	5,589
Bullfrog (3500 sq.ft)	94,257
Scottsdale (4800 sq ft)	117,065
South End (9800 sq.ft)	324,613
East Side (7200 sq.ft)	269,441
West End (4,400 sq.ft) ²²	56,585
Total Facilities Cost	1,269,456

Included in the Main Library costs above (\$401,906) is \$131,600 for the rental of computer equipment; \$76,100 for repairs and maintenance and \$73,000 towards Water and Electricity. The rental costs would, in the opinion of the Internal Auditor more appropriately belong under the category of Computer Equipment/Services (see below) and not under Facilities/Utilities. It was outside the scope of Internal Audit work and therefore we did not inquire as to what other comparator libraries include or exclude from the various reporting categories.

RECOMMENDATION:

- 1. In order to obtain savings to facilities cost, it is recommended that, the CEO and the Board of GPL be proactive in their attempt to get library branches in Guelph re-located at City owned property whenever the opportunity arises.**

²⁰ The cost categories included in the Ministry numbers in Exhibit 6a are also included in arriving at the 2015 GPL facilities cost per branch as noted in 6b.

²¹ 2015 costs per City RAC system are shown in table 6b vs. 2014 costs (the most recent available from Ministry)in Exhibit 6a

²² City owned Recreation Centre; cost shared with Fire Department and GPL

Internet, Phone/Fax Charges

Exhibit 7: Internet, Phone/Fax Charges

Municipality	Cost to Library 2014	# of Locations	Cost per branch ¹⁰
Guelph	\$121,342	6	\$20,224
Cambridge	63,710	4	15,928
Waterloo	63,891	3	21,297
St. Catharines	36,331 ²³	4	9,083

Computer Equipment/Services

Exhibit 8: Computer Equipment/Services

Municipality	Cost to Library 2014	# of Locations	Cost per branch ¹⁰
Guelph	\$235,899	6	\$39,317
Cambridge	105,190	4	26,297
Waterloo	131,147	3	43,716
St. Catharines	127,468 ²⁴	4	31,867

In Exhibit 8 above, GPL includes licensing and other computer related services. St. Catharines did not report a cost in this category for 2014 to the Ministry.

Other municipal libraries surveyed

Appendix C summarizes the information obtained from public libraries in Cambridge, Waterloo and St. Catharines.

²³ The internet and telephone costs for St. Catharines are those for 2015 (submitted October 31, 2016) as the 2014 data for this category to the Ministry did not appear reasonable.

²⁴ The Computer Equipment costs for St. Catharines are those for 2015 (submitted October 31, 2016) as there was a NIL figure reported to the Ministry in 2014.

DETAILED AUDIT OBSERVATIONS

Board Governance

City Treasurer vs. recruiting a Board Member with financial acumen

The City Treasurer has traditionally been assigned to sit on the Library Board. Internal Audit is unaware of the origin of this practice. However, the City Treasurer (or a designate in her absence) has not in the recent past attended the GPL Board meetings on a regular basis.

In the comparator libraries there is no City staff representation at Library Board meetings. However, in these entities, the Board includes an individual with financial expertise and qualifications. In the opinion of Internal Audit, it is prudent to have an individual with financial acumen sit at Board meetings when the financial performance of GPL is discussed to ask questions and assess the financial health of GPL. If GPL recruits a member to their Board who has financial expertise, discussions with the City may be initiated to discontinue this practice of City Treasurer representation.

RECOMMENDATIONS:

- 2. To ensure adequate financial expertise on the Board, it is recommended that the GPL Board actively solicit an individual with financial expertise to join the Board; once an individual with financial expertise is on the Board, the City Treasurer attendance at meetings be discontinued; in the meantime, the City Treasurer should continue to attend the GPL Board meetings on a regular basis at meetings where financial matters are on the agenda.**

Annual Financial Statement Audits

The City's external auditors are responsible for auditing the financial statements of the City and included and attached to the City's financial statements is Schedule 5 for Library operations. Given the materiality threshold for the City, the auditors do not conduct any additional audit work specific to GPL accounts and as such they are not scrutinized by the external auditor using a separate materiality threshold. Two of the three comparator libraries we surveyed have an independent annual financial statement audit conducted of their operations. This may not be feasible for GPL given that separating GPL accounts from the City in terms of balance sheet presentation is not possible. However, GPL can consider obtaining a separate audit opinion (with representative materiality threshold) on the Schedule 5 or having a special purpose audit conducted on the Statement of Operations and Accumulated Surplus. In the opinion of the Internal Auditor there are several benefits to the GPL Board to obtain assurance about their accounts from an external auditor.

RECOMMENDATION:

- 3. In order to provide independent assurance to the Board that GPL finances are being managed adequately, it is recommended that the Board consider retaining the services of a Certified Professional Accountant to conduct an annual audit of GPL. In this regard, there may be cost savings in having the City's external auditor issue a separate audit report on Schedule 5 to the Board.**

Financial Reporting to the Board

Monthly Financial reports are submitted to the Board by the Director of Operations. The expenses presented to the Board are reports obtained directly from the City's financial systems RAC and JDE and the Revenue Report is a spreadsheet that provides historical and current information year over year.

There is opportunity to enhance the format of the financial reports submitted to the Board to highlight variances and provide explanations for significant variances. Internal Audit discussions with the Board Chair indicated that they would prefer to see information presented in a format more conducive to decision making undertaken by the Board rather than the format currently used.

The City of Toronto Public Library for example submit quarterly budget monitoring reports to their Board both for capital and operating budgets. The City of Cambridge has also commenced submitting quarterly monitoring reports to their Board but monthly reports are shared with a Board member with financial expertise.

Examples of budget to actual reports used by other municipalities have been made available to GPL by Internal Audit for their review and consideration.

RECOMMENDATION:

- 4. To ensure financial reports are understandable and conducive to decision making, it is recommended that GPL staff work with the Board to decide on a format for their financial reports to the Board; it is also recommended that they discuss whether quarterly instead of monthly financial reports in the new format will provide adequate assurance to the Board of the financial performance of GPL. The format should include brief written explanations for variances.**

Communication between GPL and City Council

There is one member of Council who sits on the Board of GPL. The CEO of the Library attends Council when the operating and capital budget discussions take place at Council. Aside from that one meeting, there does not appear to be much interaction between Council and GPL.

In conducting the audit of GPL and while doing the survey and interviews at the comparator libraries, the Internal Auditor noted that the other libraries have a very positive relationship with their Council and are successful in making presentations to their Council throughout the year about notable achievements and highlights of their operations. This type of interaction, results in City Councilors being aware and informed of the impact library operations have in their specific wards and how GPL is serving their constituent's needs.

RECOMMENDATION:

- 5. To ensure Council is kept apprised of GPL activities, it is recommended that the CEO present the Annual Report of the Library to Council at large and also keep Council abreast of any notable events, awards and achievements of GPL as necessary throughout the year through short presentations to Council.**

Communication and Working Relationship between GPL and City Staff

Historically the relationship between GPL and the City staff has not been amicable; however according to both GPL and City management, the relationship has improved in the last few years. This improvement is in part attributable to concerted efforts by senior management at GPL as well as the City to resolve problem issues through coordination of effort.

This audit has identified opportunities for a closer working relationship and sharing services between the two entities that would increase efficiencies and provide mutual benefits.

Electronic Mail Communication

Except for a few senior management staff, GPL staff e-mail contact information is not available on the City's e-mail data base. This results in City staff not being able to easily communicate with GPL staff via City e-mail. This was an issue that negatively impacted communication with GPL staff during the audit. My discussion with several City and GPL staff indicates that this could result in GPL staff being inadvertently overlooked in important correspondence that would have provided updates to GPL staff. Several examples of the negative impact of the City not advising GPL staff on time came to light during this audit. These occurrences understandably bring about frustration and lead to negative feelings between staff of the two entities.

In addition we noted that for certain GPL staff on the City directory, there are two addresses noted, one with a "guelphpl.ca" address and the other with "Guelph.ca" address. This creates confusion for those wishing to communicate with the GPL staff and also inconvenience for GPL

staff who have to monitor two e-mail accounts. This may also be the case for those who work at other Boards affiliated with the City.

RECOMMENDATION:

- 6. In order to improve and encourage better communication between GPL and the City, it is recommended that the General Manager IT should add all GPL employees who have a GPL e-mail address to the City's Outlook database; in addition, it is recommended that the database be cleaned up so that there is only one address per employee.**

Library Working Group

In 2015 City management recognized a lack of co-ordination between City departments and GPL as there was no central point of contact between the two organizations to resolve various issues. The Deputy Chief Administrative Officer Public Services (DCAO) initiated a Library Working Group in early 2016 with the support of a few Councillors and this group consisting of City and GPL representatives have been meeting informally every other month. Aside from the DCAO, City representatives include the General Managers of Business Development and Enterprise, Culture, Tourism and Community Investment, Facilities Management and Parks & Recreation. The issues that have been discussed to date relate to potential for library space at the South End Recreation Centre, renovations at the Main Library and the new downtown Library.

RECOMMENDATION:

- 7. In order to formalize the Library Working Group activities and ensure that issues of concern to both parties are brought forward and resolved with accountability assigned for timely resolution and action, it is recommended that the Deputy CAO Public Services ensure that regular meetings occur with GPL, with formal agenda setting and minutes.**

Joint Job Evaluation Committee

GPL and the City work together on a regular basis as part of a joint job evaluation committee carrying out the assigned responsibilities of the pay equity legislation as outlined in the "Gender-Neutral Job Evaluation Plan" for CUPE locals 973 and 1946. According to the facilitator of the group who is a City employee, the work of this Committee with several City and GPL representatives has progressed well with staff in both entities working effectively together, appreciating the contributions and knowledge each brings to the table.

The facilitator of this Committee submits the final job evaluation results (letter and rating sheet) to the supervisor responsible for the position for communication with the incumbent. However, this information is not submitted to the HR Coordinator at GPL.

RECOMMENDATION:

- 8. To enable the HR Coordinator GPL to retain up to date information on all positions at GPL, it is recommended that the facilitator of the Joint Job Evaluation Committee copy the HR Coordinator on the letter and rating sheet for both CUPE and management positions at GPL when they are finalized.**

Procurement and Purchasing Services offered to GPL by the City

GPL regularly uses the services offered by the City in areas such as:

- Processing and payment of vendor invoices;
- Processing cheque requisitions; and
- Payments relating to the use of VISA cards.

In the process of conducting this audit we noted that staff who processed purchase orders at GPL had not received formal training in how to navigate the WAM system in order to complete their work. We made arrangements with the City Procurement staff to extend staff training to GPL staff in the area of purchase order creation and payments as well as to understand the importance of controls and processes in place. This training has been completed.

RECOMMENDATION:

- 9. In order to ensure that all staff using the City Procurement System continues to be up to date on changes in policies and procedures, it is recommended that the Manager of Procurement ensure that any training offered to City staff and any communication, deemed necessary, is extended to the Library staff on a timely basis.**

Opportunities for Efficiencies - Human Resources functions

GPL has a Human Resource (HR) Coordinator who conducts HR functions supported by City HR staff. This person has been with GPL for approximately 4 years and has the capacity to learn and perform more HR related functions. The HR Coordinator receives support from and works in close contact with several areas of the City's Human Resources Department including:

- Payroll processing;
- Benefits processing;
- WSIB; Short and Long term disability claims;
- Attendance Management support
- Joint health and safety committee
- AODA compliance; health and safety issues

The City has over the years exerted control over many of the functions and while it made sense at inception, due to lack of staff at GPL capable of undertaking such functions at this time it is evident that in several HR related areas, certain administrative work could be done more efficiently and in a timely manner by the HR Coordinator has remained the responsibility of City

staff. This has resulted in delays and frustration in completing somewhat simple and straightforward tasks that could be completed by the HR Coordinator within an hour, requiring exchanges of several e-mails and phone calls over a number of weeks between the City and GPL.

Areas identified in the audit where efficiencies could be obtained and responsibilities shifted are namely certain administrative responsibilities within payroll and benefits processing, WSIB and short and long term disability claims. My discussions with City HR staff in these areas indicate that they are more than willing to pass on specific responsibilities for GPL functions to the HR Coordinator as long as they are certain of the integrity of the information being processed. In certain cases the passing off of responsibilities to GPL may involve training the HR Coordinator on proper processes and a gradual transition of responsibility. In others this may require some monitoring for a period until a certain comfort level is reached by both City staff and GPL. Further, there may be several benefits to sharing the various tools and checklists used by the City staff in conducting their job responsibilities with the HR Coordinator.

Also, as the HR Coordinator is a generalist, the auditor believes there are benefits for the HR Coordinator to get a good understanding of how the HR Specialists at the City conduct their work in servicing their areas of responsibility. This could be accomplished by the job shadowing or spending some time one on one with one or more HR Specialists for a couple of hours. This would also strengthen relationship between the staff engaged in similar responsibilities at the City and GPL.

RECOMMENDATIONS:

- 10. In order to create efficiencies and address timing delays in processing HR documents for managing staffing issues, it is recommended that the City HR staff, GPL HR Coordinator and the Director of Operations at GPL form a short term working group to discuss various areas where responsibilities could be shifted to GPL and the process to be followed to do so. Any tools and checklists to conduct the tasks more effectively and efficiently should be shared.**

- 11. In order to benefit from a good understand of the HR Specialist function at the City, and to get familiar with the way the City conducts their business, it is recommended that the CEO, at the Library, in consultation with the General Manager Human Resources, arrange a meeting between the HR Coordinator and one or more HR Specialists to facilitate an understanding of how responsibilities are carried out by City HR staff.**

Opportunities for sharing information - Information Technology

Opportunities for potential collaboration in the Information technology area are noted below.

Examples of the type of endeavours that the City can undertake:

- (1) A standard clause used in City contracts requiring other City entities to purchase at City prices;
- (2) Blanket contracts for standard software assets could be made available to the GPL;
- (3) When negotiating major contracts relating to IT, City staff meet with GPL to explore their interests in the acquisition process;
- (4) Hold regular meetings with GPL (and Guelph Police) to share information on developments relating to information technology activities and direction.

Maximizing co-ordination of hardware and software acquisitions will help reduce overall costs and improve compatibility between the entities.

RECOMMENDATION:

- 12. In order to maximize economy for the City and establish a good working relationship between the two entities, it is recommended that the City's General Manager IT or designate work with Manager IT at GPL to develop a formal procedure for the co-ordination of information technology activities between the City and GPL; Such procedures should include clearly defined steps to be taken to make GPL aware of all significant opportunities that are available to the City as outlined in this report.**

Technology Advancement at GPL

The e-Librarian on staff, in close communication with the Library IT department, is responsible for the build and upkeep of the Library website. This individual is involved in the strategic planning and upkeep of the overall website (including graphics) and oversees all written content on the website. The e-Librarian also researches and evaluates eResources and links the databases to the Library website and troubleshoots related link issues directly with vendors. Monthly statistics for each eResource is maintained and analyzed to inform future purchases and to understand the research needs of the community. This information is presented to the Library board for their information by the CEO.

Initiatives to advance Technology Use

Several initiatives are undertaken by GPL to assist the public in learning about eResources and the use of their personal devices. Members of the public can for example book a meeting with a staff eExpert to obtain assistance on how to use GPL's eResources, eBooks and eAudiobooks. The public inquiries about how to navigate the internet, use GPL's catalogue and other related questions are also answered. eExpert Evenings occur twice monthly at the Main Library (since May 2016). Booked eExpert appointments are held at all GPL branches and have been coordinated via the eLibrarian since 2013. Several outreach events are organized by the e-

librarian including an e-Expo (formerly “Tech Day”) held each year where technology available is highlighted and for which several guest speakers attend. It is estimated that approximately 400 people were in attendance throughout the day for this event.

There is an area within the Main library (i.e. the “Tech B@r”) dedicated to Technology where staff are available to assist library patrons with their computer needs. 3 e-readers and an i-pad are maintained on display with several Chromebooks and Ipads maintained in a locked charging station. There are adequate controls to ensure that these items are secure and returned after use. The “Tech Bar” also houses a 3-D scanner and iMac Computer and a 3-D printer for use by library patrons. Plans are underway to purchase an Oculus Rift (virtual reality headset) which was released in late March 2016. This, along with the compatible computer will cost the Library approximately \$10,000.

RECOMMENDATION:

13. In order to ensure that the Information Technology equipment currently available and any planned additions are of continuing value to the public, it is recommended that a study be conducted to inform GPL of public needs.

14. To ensure that the equipment available to the public is kept current and is adequately maintained, it is recommended that the cost of maintenance and capital costs to upgrade computerized equipment as required be forecasted and built into the budget for the GPL IT department on an annual basis.

Information Technology Department at GPL

There is a staff of 3 individuals including a Manager, Information Technology to address the information technology needs of the GPL. Internal Audit reviewed IT activity and responsibilities noting improvements that can be made to strengthen the Information Technology operations at GPL.

Centralized control over electronic equipment

Responsibility for electronic equipment is not centralized within the Information Technology (IT) department. The IT department is only responsible for the equipment they purchase with their own budget. There is various computer equipment purchased by other departments and kept at branches or at the Main library. In certain cases, IT has little to no knowledge of these assets though there is a listing of these items on the shared drive. Consequently, an annual inventory of equipment on hand at GPL is not taken and decisions relating actions to be taken relating to potentially obsolete equipment is not made by the IT department.

To ensure ongoing security of assets, it is important that the IT department undertake an inventory of all IT related assets annually and this will be facilitated by one detailed inventory listing itemizing all electronic equipment maintained at GPL. Recommendations can then be

made by IT to the department owning the various equipment as to adequacy of security of assets, obsolescence or need for replacement.

Chrome computers that belong to Upper Grand District School Board are loaned out by the Guelph Public Library to students in the School Board district with a valid student card. These computers should be inventoried, verified annually and itemized separately on this listing.

RECOMMENDATIONS:

- 15. In order to ensure central control of equipment, it is recommended that the GPL IT department retain a centralized listing of all electronic equipment purchased by GPL or granted by other organizations and maintained at branches.**
- 16. In order to ensure adequate security and confirm existence of equipment, an annual physical inventory of all IT assets should be conducted by the GPL IT department staff; following the inventory count, recommendations relating to adequacy of asset security, obsolescence or need for replacement should be made to the branches housing the equipment.**

A formalized process for software additions

Internal Audit noted that there is no formalized request process for software additions to computers at GPL. A formalized process would require the business need for any additions to be documented and authorized prior to being communicated to IT by the requesting department. Once IT has received the request, IT is responsible for offering a solution that would meet the need of the requestor and consider the overall compatibility of the computer platforms available at the Library. IT should also clearly communicate and train Library staff on the risk of virus introduction by adding freeware to computers.

RECOMMENDATION:

- 17. In order to ensure proper processes and trail of authorized requests, it is recommended that adding software to computers be governed by a formalized request process made to the IT department by Library staff. Library staff need to be made aware of the risk of introducing virus to computers when adding freeware and this should be communicated to them by the IT staff whenever a new addition is requested.**

The Budget

The Information Technology department is responsible for its own budget. However, there are various expenses that are charged to this budget over which the department has minimal to no control. Currently all additional software requested by the various departments to benefit their work processes as well as toner expense for various photocopiers and printers located throughout the Main and branches is charged to the IT budget.

In the opinion of the auditor, each department benefiting from the purchase or expenditure should be held responsible for their own expenses. To enable this, a budget line for software purchases for key departments who need additional software (to include renewal of related licences) beyond the standard software available at the GPL needs to be created. In addition, there needs to be segregation within each departmental budget of toner and maintenance expenses applicable to each. This includes the maintenance of the LPT1 photocopier/printer where currently the IT budget is charged both maintenance and toner expenses for colour and black and white prints/copies. [Note: The public printer/photocopier cost for maintenance and lease is approx. \$600 every quarter and the colour toner pricing is \$314 per cartridge]

RECOMMENDATION:

18. In order to ensure each area within GPL is responsible for their respective expenditures, there needs to be a budget line created for computer related expenses and for photcopy/printer related expenses. IT should only be responsible for costs that are within their immediate control and those supported by their mandate.

Optimizing the Use of the Virtual Deskstop Infrastruction (VDI) Solution

The VDI Solution, at a 3-year lease cost of approx. \$78,000, was activated by GPL in July 2014 to address various security issues. The key benefits of this solution include but are not limited to, providing IT staff the ability to easily manage end-users from a centralized administrative interface, reducing the time and cost of operational system migrations and enabling built-in business continuity and disaster recovery to protect desktop data and ensure continuous availability for end-users.

At the Main library there remains 4 physical computers that do not have the VDI solution. This is as a result of these computers having a CD-Rom drive to accommodate potential use of CD-Rom use by public users. The performance of CD/DVD playback is degraded in a VDI environment and as such the VDI solution cannot be used on these computers.

If the VDI solution was introduced and these computers were replaced with zero client²⁵ computers, then the entire public computer environment would be virtualized obtaining the full benefit of the monies spent by GPL on this solution. This would allow IT staff to open up access and provide the patrons the ability to access any type of program they need during their session, while creating a virtual firewall to protect Library information that should not be accessible by public.

Internal Audit reviewed a listing of complaints reported to IT and noted several requests by patrons complaining about the inability to access various features in the Windows environment and Google Chrome.

²⁵ A Zero Client product is a small box that serves to connect a keyboard, mouse, monitor and network connection to a remote server.

Internal Audit could not determine how many patrons in any given period request access to use CD-Roms while visiting the library.

RECOMMENDATIONS:

- 19. To meet customer needs and maximize the benefits of the existing VDI solution, it is recommended that the CD-Rom capability of the 4 physical computers be discontinued and the VDI solution installed in the computers.**

- 20. To ascertain customer need for use of CD-Rom/DVD capabilities on computers and meet this level of need, it is recommended that GPL track related customer requests for a period of time and address identified need through the purchase of one or two laptops with CD-Rom features.**

Financial Training Enhancement

Current practice does not require the Director of Operations to obtain training outside what is offered by the organizations affiliated with municipal libraries. In the opinion of the Internal Auditor, the Director would benefit from obtaining knowledge of current trends and practices in municipal accounting offered to Controllers of non-profit organizations.

RECOMMENDATION:

- 21. To add benefit to GPL and keep abreast of current trends in municipal accounting, it is recommended that the Director of Operations undertake one or more formal training courses in accounting practices offered to Controllers of non-profit or government organizations.**

Standard Operating Procedures

Internal Audit noted that there are minimal written procedures to govern job related functions at GPL. The Revenue Clerk is working on documenting procedures she undertakes but overall there are few written procedures. The risk is that there are no standards that can be referred to by staff who are new to a position that may result in the passing on of errors and inefficiencies when staff train others without a standard procedure that acts as a reference.

RECOMMENDATION:

- 22. To ensure standard operating procedures are available for functions performed, it is recommended that GPL commence the documentation of standard operating procedures formulating a timetable and deadlines for their completion. Those procedures surrounding functions of higher risk should be completed first.**

Processing Purchases and Payables at GPL

At GPL, there are 2 employees with the access and knowledge to create purchase orders. This level of access to the system is useful if one employee is on vacation or otherwise not able to make such input. The workload in this regard on any given day is not onerous to require two individuals to create purchase orders. However, at GPL both these individuals create purchase orders at any given time and this has resulted in the inadvertent creation of two purchase orders by two individuals to pay one invoice. Even though this type of error has been noted at the City level resulting in the ultimate processing of only one related payment, it is prudent to assign the primary responsibility of creating purchase orders to one person with the other having the knowledge and taking on these responsibilities in a back-up capacity during periods of extended absence of the primary person responsible.

RECOMMENDATION:

- 23. In order to ensure duplication is avoided, responsibility for the completion of purchase orders be assigned to one primary Clerical staff with backup individual taking on these responsibilities only during the absence of the person having primary responsibility.**

Discrepancies in System Authorization

There were several instances noted where a staff person placing the order for the purchase was also authorizing the purchase and payment to the supplier²⁶. This person was not on the signing authority listing at GPL. As the final authorization of these payments is via an electronic signature of the CEO (i.e. no review by CEO) no other individual scrutinized the purchases made for validity or reasonableness.

In addition, the authorization limits and staff for GPL as per City records did not agree with the individual staff authorized to sign off on purchase orders. For example, the City system has the IT Manager at a high approval limit to process purchase orders using the City's purchasing system and he has been doing so over the past years. However, he has no authorization to approve purchase orders as per GPL.

Other discrepancies noted during the conduct of this audit include the previous Board Chair continuing to retain authorization access on one part of the payables system while the authorization access has not been officially granted to the current Board Chair. The WAM records indicate continuing unlimited authorization access to a past CEO.

The Board Chair has been responsible for signing on documents in the absence of the CEO and is also responsible for approving the CEO's expenses. Going forward, it is best that designation to sign on behalf of the CEO for purchases be assigned to another senior management staff at

²⁶ Internal Audit reviewed the purchases made by the staff person and assessed that they were valid and reasonable and that the assets were received by GPL for its operations.

GPL with prior knowledge and approval of the Board Chair. The Board Chair may continue to approve the CEO's expenses.

These discrepancies in part indicate lack of adequate communication between the City and the Library in terms of providing updates on staff retirements and movements.

RECOMMENDATIONS:

24. To ensure that signing authorities at GPL are in line with that in the WAM system at the City, it is recommended that GPL consider if there is merit to extending signing authority to their IT Manager who reports to the CEO. If this is warranted, then the City IT and Purchasing staff be notified accordingly. If not, the City should be notified so that the ability to authorize on the WAM system is removed.

25. To ensure accurate records are maintained, it is recommended that the CEO communicate authorization limits, for staff responsible for authorizing purchases, to the City IT and Purchasing staff ensuring that all records and limits are up to date. These records should be maintained regularly and the City notified of changes.

26. In order to ensure adequate signing authority levels, it is recommended that a senior management staff be designated to sign on behalf of CEO in his/her absence; in such circumstances, the Board Chair should be notified and his/her approval obtained prior to sign off; in addition, the approval limits should be re-visited at a Board meeting, decisions recorded in minutes and communicated to the City by the CEO for their action.

Safety of Assets

Several persons have access to the safe maintained in the Administrative Assistant's office. Items of value such as cash from cash register drawers at end of day, are maintained within this safe. The combination of this safe has not been changed since it was installed. In the interest of safeguarding assets, it is prudent to change the safe combination anytime an individual who has access to the safe leaves GPL or is transferred to another branch.

RECOMMENDATION:

27. In order to ensure safety of assets kept within the safe, it is recommended that the safe combination be changed when staff having access to the safe are no longer in the employ of GPL or are transferred to another branch.

Tim Horton's Cards in \$5 denominations, used as incentives for various staff accomplishments are kept within the safe. These cards are not reconciled after use. As several persons have access to the safe, it is prudent to reconcile the cards and maintain a record of such reconciliation to ensure their safety.

RECOMMENDATION:

- 28. To ensure the safety of the Pre-paid Cards, it is recommended that the Tim Horton's Cards be reconciled each time they are replenished or more frequently if the replenishment only occurs after a long period.**

Internal Audit noted instances when VISA cards assigned to one individual is provided for use to another at GPL. This occurred mostly when one card is reaching its maximum limit. In the Cataloguing area, the VISA card belonging to one individual is consistently used by staff to order books from certain online vendors. This adds a level of risk that is unnecessary and does not constitute good internal control practices as recommended in the City's Purchase Card policy.

RECOMMENDATION:

- 29. To ensure compliance with the VISA Card policy and best practice, it is recommended that GPL request a VISA Card for the individual purchasing books online. If a higher limit is needed on any given VISA card, this should be requested providing proper authorization from City Purchasing.**

Revenue – Fines and Other Revenue

Internal Audit reviewed internal controls of the revenue streams and noted that the controls that are in place were adequate to ensure revenue was complete and that there was minimal risk of material understatement except as noted below.

There are reconciliation issues between the records on the Polaris system and monies in Cash Register. Reports on discrepancies are provided by the Revenue Clerk to the Managers of branches on a monthly basis for follow up. The Revenue Clerk does not visit the branches to ensure processes such as opening and closing of cash is conducted properly.

RECOMMENDATION:

- 30. To minimize errors relating to cash handling, it is recommended that the Revenue Clerk schedule annual training at each branch location to train Managers as well as staff on proper processes to be followed and during this visit recommendations could be made to branch Managers to improve processes and enhance security surrounding cash where deemed necessary.**

GPL 2015 Annual Report states that approximately \$6,500 is received in revenue from conducting proctoring²⁷. Exam writing policy is on GPL website and four schools, namely Durham, Loyalist, Algonquin, and Virtual High School use the services of GPL for proctoring their students.

²⁷ A librarian is appointed to supervise the writing of exams for students.

One individual, a librarian is in charge of booking appointments for proctoring, collecting monies and conducting the proctoring. There is no segregation of duties or management oversight in this area.

Several students choose to pay cash when they come in to write an exam and a receipt is not provided. As an example, there is no oversight or controls in place to prevent the librarian from booking an appointment, collecting cash from those coming into write an exam, offering proctoring services and retaining the cash for themselves. The calendar identifying those making exam appointments is available to the supervisor but is not reviewed. Regardless, the appointment can be cancelled and disappear from the calendar leaving no record as a report of cancellations cannot be obtained.

The Internal Auditor had no way of determining whether or not monies had being misappropriated due to lack of documentation, but noted that the risk of misappropriation is high due to the opportunity created through lack of segregation of incompatible functions.

RECOMMENDATIONS:

- 31. To minimize the risk of misappropriation of monies related to proctoring exams, it is recommended that the booking and cancellation of appointments and control of the calendar be assigned to a separate individual, thereby segregating incompatible functions. The calendar should be available on a Read Only basis to the librarian in charge of proctoring and collecting monies; monies collected by the proctor should be reconciled by a Clerk to the number of appointments made on a monthly basis.**

The proctoring fee charged by GPL is \$40, a fee that has been in place for many years. This fee may not be in line with monies charged by other libraries who conduct proctoring in Ontario or Canada. Regardless, GPL may be able to justify raising the fees given inflationary increases over the years.

RECOMMENDATION:

- 32. To ensure that a fair fee is charged for proctoring, it is recommended that GPL consider conducting a survey among other libraries in Ontario and Canada and determine if these fees can be increased at GPL.**

Students are responsible for paying their own postage for exam results to be mailed to the school. Once exams are mailed, some using Canada Post and others by Courier, the students are expected to come back to GPL and make payment. This is an onerous practice both for the Library and the students.

RECOMMENDATION:

- 33. To ensure payment for mailing exams is collected, with minimal effort for all concerned, it is recommended that GPL set standard amounts that students have to pay upfront for the mailing of their exams. This amount should be reviewed annually to ensure GPL keeps abreast of increasing mail/courier charges.**

Accounts Used for Financial Reporting

GPL does not differentiate between print material and electronic material in reporting expenses to the City. The Ministry of Culture, Tourism and Sports requires monies spent on electronic materials be segregated and reported separately from print material in the annual reporting done by Libraries to the Ministry. “Electronics” is defined by the Ministry as electronic subscriptions and other databases, downloadable media, gaming software, Playaway, DVDs and e-resources.

In order to comply with the Ministry requirements GPL staff manually reviews the listing and separates the electronic material from the print purchases at year end. This exercise by its nature is onerous, time consuming and subject to error. In addition the Tangible Capital Assets policy requires the amortization of print material and application of the policy should differentiate between amortization of print material and that of software.

RECOMMENDATION:

- 34. To more accurately reflect electronic purchases for reporting to the Ministry and to be able to segregate print material to enable accurate amortization as required by the Tangible Capital Assets policy, it is recommended that GPL request the creation of a separate object code for tracking electronic purchases.**

Seeking Public Opinion on Services Offered

GPL last conducted a survey of the public in May 2015 to get community input in articulating a new brand for GPL that would capture and promote the essence and purpose of GPL. This feedback was used in creating the new logo and tagline for GPL. The survey also captured data on frequency of library use, services used and the public thoughts on the library’s role within the community and what the public wanted from their library.

The survey was completed by 386 respondents and overall there was strong support for the work of the library and the value it added to the community. However, as the survey was intended to obtain feedback about the logo and tagline for GPL, no analysis was done on the results as they pertained to services.

RECOMMENDATION:

35. To ensure awareness of library patron needs, it is recommended that GPL consider conducting a survey of library patrons to determine their specific needs and to enable adjusting services offered to better meet the needs of the public served. Such surveys should be conducted on a regular basis prior to formulating strategic direction for the Board.

APPENDICES

Appendix A: Trends - GPL vs. Other Ontario Libraries

Appendix B: Excerpt from BMA Study

Appendix C: Other Comparator Libraries