UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

UNIVERSITY LIBRARIES
DEPARTMENTAL REVIEW

REPORT NO. AR2018-17

UNIVERSITY OF HOUSTON SYSTEM
Internal Auditing Department
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MEMORANDUM

TO: Mr. Peter Taaffe
Chair, Audit and Compliance Committee

Dr. Renu Khator
Chancellor/President, UHS/UH

FROM: Don F. Guyton
Chief Audit Executive

DATE: May 7, 2018

SUBJ: Internal Audit Report – UH University Libraries, Departmental Review

I have attached for your review the final draft of the above referenced internal audit report. This report has been distributed to/discussed with key personnel of the University of Houston and University of Houston System. This report is summarized as follows:

Executive Summary:

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in University Libraries. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant risk exposures and control issues. We noted that University Libraries was not in compliance with the policy relating to the timely deactivation of inactive cost centers. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

This audit report is scheduled to be included in the agenda materials for the May 24, 2018, meeting of the Audit and Compliance Committee of the Board of Regents. Please let me know if you have any questions.

Attachment

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UNIVERSITY OF HOUSTON UNIVERSITY LIBRARIES DEPARTMENTAL REVIEW

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in University Libraries. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant risk exposures and control issues. We noted that University Libraries was not in compliance with the policy relating to the timely deactivation of inactive cost centers. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

The attachments listed below contain additional information related to the departmental review and University Libraries:

- Compliance Matrix
- Instances of Non-Compliance
- Background
- Financial Summary

Don F. Guyton
Chief Audit Executive
March 29, 2018

University of Houston System
Internal Auditing Department

University of Houston
University Libraries
Departmental Review

COMPLIANCE MATRIX	
Compliance Area	
Management Oversight	✓
Policies, Procedures, Required Training, and Reporting	✓
Cost Center Management	**(1)**
Payroll	✓
Human Resources	✓
Change Funds and Cash Receipts	✓
Procurement and Travel Cards	✓
Departmental Expenses	✓
Contract Administration	✓
Property Management	✓
Scholarships	✓
Research	**N/A**

✓ **Fully Complies**
Θ Opportunity for Improvement
( ) Number of Instances of Non-Compliance
N/A Not Applicable

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UNIVERSITY OF HOUSTON
UNIVERSITY LIBRARIES
DEPARTMENTAL REVIEW
INSTANCES OF NON-COMPLIANCE

We brought the following instance of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

Cost Center Management

- Inactive cost centers were not deactivated.

University of Houston
System Internal Auditing
Department

University of Houston
University Libraries
Background Information

Background Statement provided by the Library:

The University of Houston Libraries serves University of Houston students, faculty, staff and the scholarly community. The system comprises the MD Anderson Library, the William R. Jenkins Architecture and Art Library, the new Health Sciences Library, and the Music Library, providing access to more than 3.7 million physical and digital volumes and over 136,000 physical and digital journals and other serial subscriptions. UH Libraries is a member of the prestigious Association of Research Libraries and is ranked among the top 35 US public research libraries.

Local, state, and national partnerships and memberships augment UH Libraries' collections and services and expand the research environment for faculty and students. The Libraries participation in national and international cooperative organizations provides access to cooperative purchases of licensed resources as well as expedited resource sharing. To ensure cost-effective access for resources to users, UH Libraries belongs to a number of cooperative and consortial organizations, including the Center for Research Libraries, HathiTrust, the Greater Western Library Alliance, and TexShare.

The UH Libraries Strategic Plan 2017-2021 is guided by the Libraries' organizational values and is closely aligned with University priorities. The goals of the Strategic Plan provide guidance for departments and functional units, in four major areas:

- Position UH Libraries as a Campus Leader in Research Productivity
- Assure the Quality and Relevance of Collections for Campus and Global Communities
- Position UH Libraries as a Campus Leader in Student Success Initiatives
- Transform Library Spaces to Reflect Evolving Modes of Learning and Scholarship

A number of teams were launched in 2016-2017 to move critical initiatives forward within each of the four areas. Project teams implemented new services and spaces, while planning teams completed foundational work for future projects.

We continue to focus on our collection acquisition and management strategies and to improve collection relevance and access. The Libraries' Special Collections are among its most unique and robust resources offered. Notably, two of our archival collections have garnered increased recognition. The Carey Shuart Women's Research Collection has grown to include over 90 archival collections, documenting the women and organizations that have shaped women's and Houston's history. The LGBT History Research Collection comprises over 700 linear feet of

materials from individuals and organizations in the LGBT community, including Annise Parker, Ray Hill, and the Gulf Coast Archive and Museum of GLBT History (GCAM).

UH Libraries has made significant strides in transforming spaces for learning and scholarship. Among the most recent achievements in this area are the new Health Sciences Library, the new Digital Research Commons, the new Makerspace, and upgrades to MD Anderson Library group study rooms.

UH Libraries has focused on projects that are critical to improving the success of specific student populations, namely, online learners, distance learners, graduate students, and students engaging in co-curricular programming. We have increased the number of activities embedding library instruction into classes, such as expanding online learning in biology courses; while out-of-class research and skill-building programs grew, as did our ability to track progress in this areas.

Budget/Financial Summary:

During fiscal year 2018, with staff of 104 FTE, University Libraries administered 142 cost centers with an overall operating budget of $19,616,426.

The following table presents the fund balance reconciliation for University Libraries for FY 2017:

Beginning Fund Balance (9/1/2016)	$ 1,047,149
Revenues	696,415
Expenditures	(20,864,599)
Transfers/Other	20,337,867
Ending Balance (8/31/2017)	$ 1,216,832

UNIVERSITY OF HOUSTON
UNIVERSITY LIBRARIES
SUMMARY OF REVENUES AND EXPENDITURES

Description	FY 2017	FY 2016
Revenue		
Endowment Income Distribution	$ (331,087)	$ (325,138)
Federal Pass Through Grants - State	(17,796)	0
Other Fees	(37,268)	(37,071)
Other Revenue Sources	(33,363)	(29,483)
Private Gifts, Grants and Contracts	(249,832)	(192,685)
Sales and Services - Education and General	(27,069)	(1,031)
Total Revenue	$ (696,415)	$ (585,408)
Cost of Goods Sold		
Cost of Goods Sold	$ (3,000)	$ 0
Total Cost of Goods Sold	$ (3,000)	$ 0
Payroll		
Salaries and Wages	$ 7,169,331	$ 7,317,551
Fringe Benefits	249,378	228,342
Total Payroll	$ 7,418,709	$ 7,545,893
Maintenance and Operations		
Academic Service	$ 25,309	$ 16,698
Advertising Promotion and Public	21,722	29,492
Communication and Transportation	9,780,562	9,164,234
Construction Expenses	0	172
Contracting of Services	187,052	70,200
Employee Expenses	93,376	106,870
Facilities and Ground Supplies	0	406
Financial Aid	1,250	30,625
Financial Tax and License Cost	201	263
General Services	282,819	292,295
General Supplies	112,872	162,703
Health and Clinical Supplies	0	324
Indirect Costs	1,618	0
Legal Services	960	0
Other Recurring Expenses	666,104	701,983
Parts and Furnishing	486,012	213,820
Printing, Copying and Reproduction	43,612	57,315
Rental Lease and Royalties	107,840	88,973
Routine Repair	347,924	348,081
Special Program and Events	13,025	7,336
Travel	161,251	178,328
Total Maintenance and Operations	$ 12,333,509	$ 11,470,118
Capital Outlay		
Capital Outlay	$ 1,115,381	$ 1,125,808
Total Capital Outlay	$ 1,115,381	$ 1,125,808
Total Cost of Goods Sold, Payroll, M&O and Capital Outlay	$ 20,864,599	$ 20,141,819