# McDermott Library

Audit Report No. R2502 | *October 8, 2024*

# Executive Summary

| Audit Objective |
|---|
| To evaluate financial and accounting processes, internal controls systems, and the effectiveness and efficiency of related operations and controls within the McDermott Library. |

**Controls and Strengths**

- Segregation of duties is enforced in the Library's purchasing and acquisitions processes.
- Staff training is encouraged, and employees are given a budget to attend conferences.
- The Library has worked with the UTD Police Department and invested in new technologies to increase security and provide a safer environment for clients and staff.

**Overall Conclusion**

Generally, the McDermott Library has good internal controls in place. Improvements in the areas noted within the report will help enhance the effectiveness and efficiency of controls in financial and accounting processes, including asset management.

**Observations by Risk Level**

Management has reviewed the observations and has provided responses and anticipated implementation dates. Detailed information is included in the attached report.

| Observation | Risk Level | Management's Implementation Date |
|---|---|---|
| 1. *Update Area IDs and Ensure All Assets Are Inventoried* | **High** | February 28, 2025 |
| 2. *Develop Internal Procedures to Strengthen Controls over Inventories* | **High** | April 30, 2025 |
| 3. *Review Past Gift in Kind Donations to Ensure Proper Accounting* | **Medium** | June 30, 2025 |
| 4. *Ensure Expenses Include Proper Justification and Coding* | **Low** | September 30, 2024 |
| *For details about the audit and methodology, explanation of risk levels, and report distribution, please see Appendices A, B, and D, respectively, in the attached report.* | | |

# Detailed Audit Results

The following are reportable observations and recommendations noting opportunities to enhance controls in the areas of asset management and expenses. Minor recommendations related to policies and procedures were shared verbally with management.

1. ***Update Area IDs and Ensure All Assets Are Inventoried***

> **High Risk:** Without proper accountability and tracking, the risk of loss, theft, and damage to assets is increased.

In testing for compliance with university property procedures and the effectiveness of controls over assets, we found an opportunity to improve the accountability and tracking of both Library assets as well as other university department assets.

The Inventory department sends a listing of university assets to each departmental custodian on an annual basis and requests an inventory by the custodian to affirm the existence of the assets. As shown on the table below, the Library's assigned assets are listed under the 215000 Area ID.  The Library performed their annual inventory procedures for these assets.

However, in reviewing the University's total asset listing and discussing asset tracking with the Library custodians and curators as well as the University's Inventory team, we found the following:

- There are four Area IDs (410002, 500004, 500005, and 500007) that contain not only assets that should be the responsibility of the Library, but also contain assets that should be assigned to other responsible departments.
- Assets listed within the four Area IDs have not been inventoried in at least 16 years, according to the Inventory team, because there is no responsible department assigned. As detailed in Appendix C, the assets total $78,702,664.
- Some of the locations of these assets do not appear to be correct within the four Area IDs.
- The collections listed in Area IDs 215000, 410002, and 500004 are not consistently accounted for.  For example, philatelic collections are included in all three Area IDs.
- We also noted that the current process for adding gifts and collections with an assigned dollar value of $1 to the asset management system could be improved. Such assets are added to Asset Management based on accounting reports pulled from PeopleSoft by the Inventory department; however, the process is manual, and items could be missed.
- Refer to the chart at Appendix C for detailed financial information about the assets.

**Recommendation:** The Inventory team should review the assets under the 410002, 500004, 500005, and 500007 Area IDs and assign custodians and Area IDs based on the location and which department should be responsible for the asset. Many of the assets located within the 410002 and 500004 Area IDs should be the responsibility of the Library. The newly assigned custodians should ensure that the assets exist, are tagged, and that their locations are accurate. Also, the collections should be reviewed and items that are not consistently accounted for should be addressed.

**Management's Action Plan:**

1. The Inventory team is currently working through the list of assets assigned to Area IDs 410002, 500004, 500005 and 500007. We are researching original PO information as well as GIK information to determine ownership, at which time we contact the departments and share our information with them. We are currently working with Linda Dephillips (Business Mgr. – Library) and Dean Ellen Safley with the Library assets in the area IDs mentioned above. We are sending them an updated list of the assets by noon on Tuesday, September 17th. We will meet with them soon to discuss the assets, along with their current location.

   We have had an online meeting with Debra Pfister and Cynthia Seton-Rogers with Holocaust Studies. We have provided them with a list of Holocaust assets from the list. They are currently researching the assets from our list, and we will have another meeting in the near future to discuss their findings.

   We have contacted OIT and provided them with a list of the software on the list. Bryann Kinnamon and Danny Shen are working to determine which software is still in use. We will work to determine the departments that should have ownership of the software still in use. We will provide the Finance department with a list of software that is no longer in use to have it removed from Peoplesoft.

   We will continue to work through the list in an effort to accurately assign all the assets in the area IDs mentioned above.

2. Property will revise policies to prevent any asset assignment issues in the future. Both the Chief Clerk and the Supervisor of Inventory will be involved in assigning any asset types (Collections, Library additions, etc.) that have been assigned to the Area IDs in question in the past. No assets are currently being assigned to the Area IDs in question and none will be assigned to those area IDs going forward.

**Responsible Party Name and Title:**
1. Mr. Donald Stephens (Inventory Supervisor)
2. Mr. Donald Stephens (Inventory Supervisor) and Mr. Chris Rench (Director and Property Manager)

**Estimated Date of Implementation:**
1. February 28, 2025
2. October 1, 2024

2. ***Develop Internal Procedures to Strengthen Controls over Inventories***

**High Risk:** Lack of formal procedures over assets, including periodic inventories, can lead to the loss or misuse of assets and can result in financial losses, reputational risks, and noncompliance with State and University regulations and policies.

In testing for compliance with university property procedures and the effectiveness of controls over Library departmental assets, the following was noted:

- Eight out of thirty (27%) Library assets tested were not correctly entered in PeopleSoft Asset Management.
- Two items, totaling $2,517, do not belong to the Library, and this has not been communicated to the Inventory team.
- Four items, totaling $269,370, are listed in the wrong room number in the Library's asset list. Two items are in the department, but have the wrong location, and two items listed on-campus are located off-campus on loan to a museum. Also, the manufacturer's name listed in the PeopleSoft asset list for the two loaned items does not match the name on the physical items and should be updated.
- Two assets are not listed on the Library's PeopleSoft asset list. One item has an asset tag number, but is not in the PeopleSoft asset list, and the other item was installed during a room renovation, and the Library did not notify Inventory to tag the new assets added to the room.

Per the [UTD Property Administration Policy](), UTD performs a complete physical inventory of all barcoded property once each fiscal year, and each department head acts as the custodial authority for the property within their allocated area. Individual departments must notify the Inventory Department whenever stationary assets are relocated.[1]

**Recommendation:**  Develop internal procedures to strengthen controls and departmental reporting for assets, including conducting full periodic inventories involving the property manager and curators to verify all items on the department's asset list.

**Management's Action Plan:**  We have always conducted an inventory of our electronic equipment such as computers, monitors, etc. but not for other aspects reflected in this list.  The Library is forming a team to write a procedure on how we inventory the assets on the list, where the items are located or where it is moved, who is the custodian, and how items get tagged to be included in the inventory.  They will determine if we will add an RFID tag to each item.

The procedure of tagging all equipment and furniture is being completed sporadically—sometimes the Facilities team handles the tagging while sometimes it is never initiated.  If the equipment was acquired with a renovation request, the property was not tagged.  We will create a procedure that when we pay the bills on something over the cost limit, the library will initiate the tagging. This process will include major in-kind gifts, shelving, computer and other equipment, art, etc.

**Responsible Party Name and Title:**  Dr. Ellen Safley, Dean of McDermott Library

**Estimated Date of Implementation:**  April 2025

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3. *Review Past Gift in Kind Donations to Ensure Proper Accounting*

UT Dallas has procedures in place for accepting gift-in-kind donations, per the university policy for [Gifts and Grants from Private Philanthropic Sources](). The Library uses ArchivesSpace to catalog all university archive collections, including collections donated as gifts-in-kind to the university.

**Medium Risk:**  Not identifying these older assets and adding them to Raiser's Edge and PeopleSoft means that the assets are not tracked in the annual inventory or properly accounted for in the financial statements, which could result in loss or misuse of assets, and financial or reputational risk.

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[1] [UTD Inventory FAQ]()

Revenues testing for the scope of this audit, which included gift-in-kind donations, showed that the Library is following current gift acceptance procedures.

However, in testing a sample of collections cataloged in ArchivesSpace which were donated to the Library over the past 10 years, there are collections which were not added to Raiser's Edge or PeopleSoft, indicating that those donations did not go through the current gift acceptance process.

Two out of 11 (18%) sample collections in ArchivesSpace are not in Raiser's Edge or PeopleSoft. Prior lack of formal procedures for gift-in-kind collections donations resulted in university assets that were cataloged in ArchivesSpace but were not added to Raiser's Edge or PeopleSoft.

**Recommendation:**  The Library should review past gift-in-kind donations cataloged in ArchivesSpace, along with associated paperwork, to ensure that the donated collections went through the proper gift acceptance procedures with the Office of Development and were added to Raiser's Edge and PeopleSoft. The Library should notify the Office of Development of any gift-in-kind collections that did not go through the current gift acceptance procedures.

**Management's Action Plan:**  The Dean believes strongly that past gifts were never handled consistently over the past 2 decades given the analysis provided by the Auditing Team.  In general, only archival materials are included in ArchivesSpace which falls into the Special Collections Division of the McDermott Library.  The Senior Curators within Special Collections will attempt to analyze what donations are in ArchivesSpace as well as Raiser's Edge to see if they can be matched and/or updated.  The procedure will include a gift form signed by the donor which will routinely be sent to the Office of Development.

For in-kind gifts that are donated to McDermott Library, all donors are asked to sign a form that is routinely sent to the Office of Development.  Sometimes, the gift is initiated by another unit (sometimes AHT, Brettell Reading Room, Crow materials, etc.) and it is believed that these in-kind gifts MIGHT not be added to the library inventory despite us cataloging and processing the items.   It is unclear how these items are handled by the campus.

**Responsible Party Name and Title:**  Dr. Ellen Safley, Dean of McDermott Library**;** Dr. Thomas Allen, Senior Curator for University Archives, Special Collections; Ms. Patrizia Nava, Senior Curator for the History of Aviation Collection, Special Collections

**Estimated Date of Implementation:** June 2025

4. *Ensure Expenses Include Proper Justification and Coding*

Library expenses totaled $7,213,454 from FY23 through November 2023. We tested expenses for internal controls such as compliance with university policies and procedures, and the following was noted:

> **Low Risk:** Not having a complete business justification could increase the risk of fraud or noncompliance, and incorrect coding of expenditures affects management's decision making as well as budget planning for future fiscal years.

Out of 40 expenses tested:
- 12.5% were travel expenses on One Cards which did not include the name of the meeting or event in the business justification.
- 10% were expenses on One Cards which were charged to incorrect account codes.

Per the One Card Program's One Card Detail Guide, each transaction should have a UTD business justification which answers how the purchase is related to the mission of UTD. Per the UTD Account Code Detail Guide, an account code is a required field on all transactions which defines what kind of expense is incurred.

**Recommendation:** Approvers for expenditures on One Card reconciliations should ensure that the business justifications include conference names for travel expenses, if applicable, and correct account codes have been used for purchases.

**Management's Action Plan:** The procedures for traveling expenses to conferences and some aspects of training were not being handled according to the audit. This procedure is being handled differently. No travel costs will be approved without proper documentation and all expenses paid for on a One Card will be accounted including the use of proper codes.

**Responsible Party Name and Title:** Dr. Ellen Safley, Dean of Libraries; Ms. Linda DePhillips, Library Business Manager

**Estimated Date of Implementation:** September 2024

## Overall Conclusion

Generally, the McDermott Library has good internal controls in place. Improvements in the areas noted within the report will help enhance the effectiveness and efficiency of controls in financial and accounting processes, including asset management.

# Appendix A:  Information Related to the Audit

## Background

The Eugene McDermott Library strives to promote a rich and diverse learning environment and research environment at UT Dallas. Over 60 employees in 11 departments help students, faculty and staff explore more than 3.6 million items in the Library's collections. Each month the McDermott Library averages more than 250,000 visitors, and the Library has invested in new technologies to increase safety and convenience for these visitors, such as implementing a new card reading system at the Library entrance[2], and implementing the new Library Mobile App.[3]

The Dean of the Library reports to the Provost and Vice President for Academic Affairs. As shown in the financial overview graph, FY23 expenses totaled $10,155,190, and revenues, including budget transfers, totaled $10,213,380.  Revenues include library fines and fees, sales of special collections resources outside of the university, revenues from copy machines, and donor funds. Budget transfers consist of student fees which are used for library operating expenses and salaries.
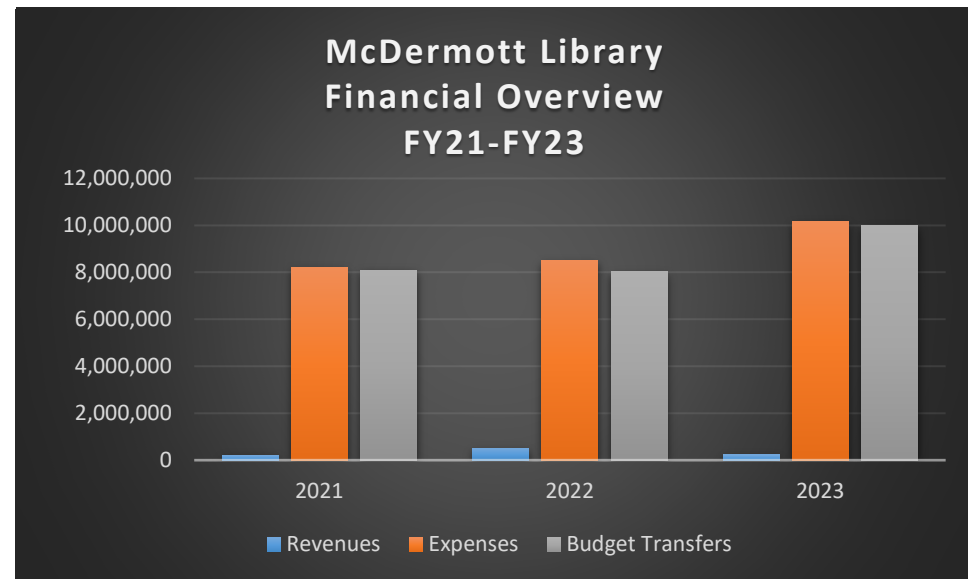


McDermott Library Financial Overview FY21-FY23

## Objective

To evaluate financial and accounting processes, internal controls systems, and the effectiveness and efficiency of related operations and controls within the McDermott Library.

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[2] https://utdmercury.com/mcdermott-library-ramps-up-security/
[3] https://provost.utdallas.edu/2023/12/01/mcdermott-library-activity-exceeded-only-by-resources/

## Scope

The scope of the audit was FY23-November 2023.  Fieldwork was conducted from March 15, 2024, and the audit concluded on September 3, 2024.

## Methodology

The audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.  Additionally, we conducted the audit in accordance with generally accepted government auditing standards (GAGAS).  Both standards are required by the Texas Internal Auditing Act, and they require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.  We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.  The Office of Audit and Consulting Services is independent per both standards for internal auditors.

GAGAS also requires that auditors assess internal control when it is significant to the audit objectives.  We used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework in assessing internal controls[4].

Our audit methodology included interviews, observations of processes, reviews of documentation, and testing.  The following table outlines our audit procedures and overall controls assessment for each of the audit area objectives performed.

| Audit Area | Methodology | Observations Related to the Audit Area |
|---|---|---|
| Gaining an Understanding of Operations | • Gained an understanding of operations by interviewing key responsible parties within the Library and reviewing policies, procedures, and other documentation related as necessary. | None |

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[4] http://www.coso.org

| Audit Area | Methodology | Observations Related to the Audit Area |
|---|---|---|
| | • Performed a risk assessment to identify areas of high risk within operations, and focused audit procedures on those risks. | |
| Expenses | Tested controls over expenses for authorization, accuracy, operational effectiveness, and compliance with applicable policies and procedures. | Observation #4 |
| Property/Assets | Tested controls over assets for effectiveness of processes, reliability of information, safeguarding, and compliance with applicable policies and procedures. | Observations #1, #2 & #3 |
| Payroll for Hourly Employees | Tested a sample of payroll expenses for hourly employees to ensure proper authorization and time reporting. | None |
| Library Management System (Alma) Access | Tested employee access to Alma for appropriateness related to position and job duties. | None |
| Library Books Management & Valuations | Reviewed the process for book valuations, depreciations and disposals in Alma and PeopleSoft to determine the effectiveness of controls to ensure accuracy in financial reporting. | None |
| Revenues | Tested the effectiveness of controls over the payment acceptance policy. | None |

## Follow-up Procedures

Though management is responsible for implementing the course of action outlined in the response, we will follow up on the status of implementation subsequent to the anticipated implementation dates.  Requests for extension to the implementation dates may require approval from the UT Dallas Audit Committee. This process will help enhance accountability and ensure that timely action is taken to address the observations.

## Appendix B:  Observation Risk Rankings

Audit observations are ranked according to the following definitions, consistent with UT System Audit Office guidance.

| Risk Level | Definition |
|---|---|
| **Priority** | If not addressed immediately, a priority observation has a significant probability to directly affect the achievement of a strategic or important operational objective of UT Dallas or the UT System as a whole.  These observations are reported to and tracked by the UT System Audit, Compliance, and Risk Management Committee (ACRMC). |
| **High** | High-risk observations are substantially undesirable and pose a high probability of adverse effects to UT Dallas either as a whole or to a division/school/department level. |
| **Medium** | Medium-risk observations are considered to have a moderate probability of adverse effects to UT Dallas either as a whole or to a division/school/department level. |
| **Low** | Low-risk observations are considered to have a low probability of adverse effects to UT Dallas either as a whole or to a division/school/department level. |
| **Minimal** | Some recommendations made during an audit are considered of minimal risk, and the observations are verbally shared with management during the audit or at the concluding meeting. |

## Appendix C:  Recommendation #1 – *Update Area IDs and Ensure All Assets Are Inventoried*

The following information is related to recommendation #1 area IDs, custodians, and dollar amounts.

| Area ID | Title | Description of Assets | Amount at 7/9/2024 |
|---|---|---|---|
| | | ***Custodian:  Library*** | |
| 215000 | University Library | Library assets including computers, equipment, furnishings, collections, and gifts, including philatelic, aviation, photography, art | $4,770,537 |
| | | | |
| | | ***Custodian:  University*** | |
| 410002 | Building and Land Records | • Library books, ebooks, subscriptions, microfilm<br>• Library collections, including philatelic, Holocaust, Aerospace, photography, and others<br>• PeopleSoft Software System and other internally developed software<br>• Modular space buildings | $73,343,306 |
| | | ***Custodian:  Facilities and Economic Development*** | |
| 500004 | Non-Reportable Assets | • Assigned to Facilities and Economic Development<br>• Contains collections, including philatelic and others, Library Microfilm, Library Services Software<br>• Other department assets and software that should be reported and assigned | $3,171,422 |
| 500005 | Logistics Research | Various equipment not part of Library but should be assigned to responsible custodians | $2,179,597 |
| 500007 | Director – L&D | Contains Holocaust Collection that should be assigned to responsible custodian | $8,339 |
| | | **Total Assets** | **$ 78,702,664** |

# Appendix D:  Report Submission and Distribution

We thank the McDermott Library management and staff as well as those in the Office of Budget and Finance and the Inventory team for their support, courtesy, and cooperation provided throughout this audit.

Respectfully Submitted,

*Toni Stephens*

Toni Stephens, CPA, CIA, CRMA, Chief Audit Executive

## Distribution List

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*Persons Responsible for Implementing Recommendations:*
- Dr. Ellen Safley, Dean of Libraries
- Dr. Thomas Allen, Senior Curator for University Archives, Special Collections
- Ms. Patrizia Nava, Senior Curator for the History of Aviation Collection, Special Collections
- Ms. Linda DePhillips, Business Manager, University Library
- Mr. Chris Rench, Director of Print, Copy and Logistics
- Mr. Donald Stephens, Inventory and Surplus Supervisor

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