

**QUEENS LIBRARY
AUDIT COMMITTEE
THURSDAY, SEPTEMBER 8, 2016**

Central Library
89-11 Merrick Boulevard
Jamaica, NY 11432

AGENDA

6:00 PM AUDIT COMMITTEE REGULAR MEETING
Hon. Robert T. Groh Conference Room

I. ROLL CALL

II. ACTION ITEM

1. Acceptance of Financial Statements and Independent Auditor's Report – Fiscal Year 2016

III. REPORTS

1. Legislative Lobbyist Audit
2. Comptroller Audit Update
3. Internal Audit Update

IV. ADJOURNMENT

II. Agenda Action Item

1. Acceptance of Financial Statements and Independent Auditor's Report – Fiscal Year 2016

Background:

An independent audit of the Foundation's annual financial statements was conducted by Toski & Co., P.C. for Fiscal Year 2016.

Current Status:

A draft of the Financial Statements and Independent Auditor's Report for the Year ended June 30, 2016, will be provided under separate cover prior to the meeting. The Auditing partner from Toski & Co., P.C. will provide an overview at the Audit Committee meeting via video conference.

As previously reported, the City Comptroller has determined that the Queens Library will be included as a component unit of the CAFR. As such, a final version of the Library's financial statements must be submitted to the Office of the Comptroller no later than September 15, 2016.

Highlights of the Fiscal Year '16 financial results are:

- Unrestricted Board Designated Fund
Fund balance has decreased as a result of investment losses.
- Unrestricted Fund Balance
Primarily includes Fines/Fees, State and insurance reimbursement funds. The fund balance increased significantly as a result of vacancy savings; orders that were placed and not received by year end; and ongoing capital and technology projects that were budgeted and not completed at year end. Budget amendments to allocate fund balance in FY '17 for some of these projects will be submitted to the Finance & Investment Committee for approval.

- City of New York Support
Additional funding of \$9.2m was received in FY 16 to fund six day service.
- Contributions from Individuals, Corporations and Foundations
Overall, contributions (QBPL and QLF combined) have been on a decline since 2013.
- Fines/Fees Revenue
As previously reported, revenue is on a declining trend.
- Library Services Expenses
Generally increased as a result of funding received for six-day service.
- Fund Raising Expenses
Grant development staff salaries were transferred to the Library as part of a reorganization effort to more closely align development staff with the programs they secure funding for. Fund raising events were held during the fiscal year and additional outreach services were used.
- Management and General Expenses
The most significant variances are health insurance rate increases offset by a decrease in legal fees incurred in the prior fiscal year.

Recommended Motion for Consideration by the Audit Committee:

I move that the Audit Committee recommend to the Board of Trustees that the Financial Statements and Independent Auditor's Report for the year ended June 30, 2016 be accepted and filed.

III. Agenda Report Items

1. Legislative Lobbyist Audit

Current Status:

In accordance with the Lobbying Act, the Library is required to file semi-annual reports of compensation and expenses paid to lobbyists.

In July 2016, the New York State Joint Commission on Public Ethics notified the Library that a random audit of the Client Semi-Annual Report filed by the Library for calendar year 2015 would be conducted. In 2015, the Library utilized the services of Wilson, Elser, Moskowitz, Edelman & Dicker for State lobbying and Connelly, McLaughlin & Woloz for City lobbying.

In response to the audit request, the Library submitted documentation of the compensation and expenses for both firms in 2015, within the two week timeframe required. On August 18, 2016, the attached Audit Report was received with the conclusion that the 2015 Client Semi-Annual reports that were filed by the Library appear to be in compliance with the New York State Lobbying Act. No further action is needed.

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SETH H. AGATA
EXECUTIVE DIRECTOR

PHONE: (518) 408-3976
FAX: (518) 408-3975

July 26, 2016

Queens Borough Public Library
Tracy Yogman
89-11 Merrick Blvd
Jamaica, NY 11432

Dear Ms. Yogman:

Pursuant to Section 1-d(b) of the Legislative Law Article 1-A (the "Lobbying Act"), the New York State Joint Commission on Public Ethics ("the Commission") is authorized and empowered to conduct audits of randomly selected registration statements and reports required to be filed by lobbyists and clients. In that regard, the 2015 Client Semi-Annual Reports filed by Queens Borough Public Library have been selected for an audit.

The objectives of the audit are to determine if the 2015 Client Semi-Annual Reports are complete, accurate and timely filed with the Commission, and to obtain reasonable assurance that the reports are in full compliance with the Lobbying Act.

Since your offices are located beyond the established travel radius, an onsite audit will not be conducted at this time. Therefore, we are requesting that you provide documentation, by mail or electronic format, to support the compensation and expenses reported in the 2015 Client Semi-Annual Reports **within 14 days of the date of this letter**. Appropriate documentation may include, but is not limited to, payroll register, cancelled checks, invoices, receipts, check stubs, account statements, and source of funding backup (if applicable). The Audit Report will be sent to you by First Class Mail upon receipt of appropriate documentation. We ask that you please refrain from amending any filings within the scope of this audit until after the final audit report has been issued.

If you have any questions or concerns about the audit please contact Ms. Taryn Davila-Webster at (518) 408-3976 or taryn.davila-webster@jcope.ny.gov, or send a letter explaining your concerns to the above address.

The Commission appreciates your full cooperation on this audit.

Very truly yours,

A handwritten signature in black ink, appearing to read "GP", written over a horizontal line.

Gareth Perrin, MBA
Assistant Director of Audits

GP/tdw

New York State Joint Commission on Public Ethics

K.01

Auditor: _____ KSU _____ Date: 08/12/16

Reviewer: _____ GP _____ Date: 08/15/16

Audit Report

Audit Number: 2016-058
Audit Title: 2015 Client Semi-Annual Reports
Auditor Name: Kyle Utter
Lobbyist Name: Wilson Elser Moskowitz Edelman & Dicker, LLP
Address: 677 Broadway
Albany, NY 12207
Client Name: Queens Borough Public Library
Address: 89-11 Merrick Blvd
Jamaica, NY 11432
Audit Selection Date: 03/31/2016
Audit Start Date: 08/03/2016
Audit Completion Date (Actual): 08/15/2016

Background

On August 4, 2016, a random audit was conducted for the 2015 Client Semi-Annual Reports filed by Queens Borough Public Library. The audit included examining documentation supporting the compensation and expenses reported in the semi-annual reports on file with the New York State Joint Commission on Public Ethics.

Objectives

The purpose of the audit is to determine if filings are complete, accurate and filed in a timely manner in compliance with the Commission rules and regulations, and New York State laws. The filing of these reports is required if the lobbyist expects to exceed \$5,000 in combined compensation and expenses for lobbying activity in New York State in a calendar year.

Scope

The 2015 Client Semi-Annual Reports were filed timely with this Commission. The lobbying agreement authorized Wilson Elser Moskowitz Edelman & Dicker to lobby on behalf of Queens Borough Public Library commencing January 20, 2015 through December 31 2015. The fee for said services was \$2,750 for the month of January, and \$5,500 per month thereafter plus actual expenses. A notice of termination was filed on February 10, 2016 effective December 31, 2015 pursuant to contract terms.

A second lobbying agreement dated January 15, 2015 authorized Connelly McLaughlin & Woloz to lobby on behalf of Queens Borough Public Library effective January 15, 2015. The fee

for said services was \$5,000 per month plus reimbursement of pre-approved expenses exceeding \$150. This agreement could be cancelled by either party with 30 days notice.

Compensation and expenses were traced to original documentation without exceptions. Compensation reported by the lobbyist conforms to compensation reported in the 2015 Client Semi-Annual Reports filed with this Commission.

Documentation

The following documents were examined for the purposes of this audit:

- 2015-2016 Lobbyist Statement of Registration and Amendments filed by Wilson Elser Moskowitz Edelman & Dicker, LLP
- 2015-2016 Lobbyist Statement of Registration and Amendments filed by Connelly McLaughlin & Woloz
- Lobbyist-Client Retainer Agreement between Wilson Elser Moskowitz Edelman & Dicker, LLP and Queens Borough Public Library
- Lobbyist-Client Retainer Agreements between Connelly McLaughlin & Woloz and Queens Borough Public Library
- 2015 Lobbyist Bi-Monthly Reports filed by Wilson Elser Moskowitz Edelman & Dicker, LLP
- 2015 Lobbyist Bi-Monthly Reports filed by Connelly McLaughlin & Woloz
- 2015 Client Semi-Annual Reports filed by Queens Borough Public Library
- Invoices for 2015 January through December services provided by Wilson Elser Moskowitz Edelman & Dicker, LLP
- Invoices for 2015 January through December services provided by Connelly McLaughlin & Woloz
- 2015 Check Receipts January through December payments to Wilson Elser Moskowitz Edelman & Dicker, LLP
- 2015 Check Receipts January through December payments to Connelly McLaughlin & Woloz

Queens Borough Public Library reported \$123,250 in total compensation on their 2015 client semi-annual reports. The client reported no aggregate, non-lobby salaries or itemized expenses for the period.

To document compensation reported to the Commission, the client provided copies of *invoices* and check receipts for the period.

Conclusion

The 2015 Client Semi-Annual Reports filed by Queens Borough Public Library appears to be in compliance with the New York State Lobbying Act.

cc: Queens Borough Public Library

Gareth Perrin

DANIEL J. HORWITZ
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August 15, 2016

Queens Borough Public Library
Tracy Yogman
89-11 Merrick Blvd
Jamaica, NY 11432

Re: 2016-058

Dear Ms. Yogman:

Enclosed is the August 2016 Audit Report of Queens Borough Public Library. If you have any questions concerning the audit, please feel free to contact me.

Very truly yours,

A handwritten signature in blue ink, appearing to read "K. Utter".

Kyle Utter

Enclosure

2. Comptroller Audit Update

Background:

In July 2015, the Comptroller issued an *Audit Report on the Financial and Operating Practices of the Queens Borough Public Library* for the Fiscal Years 2008 to 2013.

The report outlined nine recommendations. All recommendations were accepted and an audit implementation plan was developed.

Current Status:

Attached is the current status of each of the recommendations for review. The Comptroller has requested a status of the recommendations and will be provided the same implementation plan.

Seven of the nine recommendations have been fully implemented and the remaining two recommendations are in progress as reported on the plan.

The Comptroller has indicated in the letter to the Library's CEO that an on-site follow-up may be scheduled.



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

MARJORIE LANDA
DEPUTY COMPTROLLER FOR
AUDIT

BUREAU OF AUDIT

August 16, 2016

Mr. Dennis Walcott
President and Chief Executive Officer
Queens Borough Public Library
89-11 Merrick Boulevard
Jamaica, N.Y. 11432

Dear Mr. Walcott:

I am writing to request a status report of the progress your office has made in implementing the recommendations contained in the audit or audits identified on the attached list. In this status report, for those recommendations that have not yet been implemented but that you still intend to implement, please include an implementation plan with the dates for implementation. Please send your response to the following individuals by no later than November 1, 2016:

Marjorie Landa
Deputy Comptroller for Audit
NYC Office of the Comptroller
One Centre Street, Room 1100N
New York, NY 10007
E-mail: AnnualReport@comptroller.nyc.gov

Mindy Tarlow
Director
Mayor's Office of Operations
253 Broadway, 10th Floor
New York, NY 10007

In addition, please be advised that Comptroller's Office auditors may conduct on-site follow-up work in connection with certain audits issued during Fiscal Year 2016. Their work could include interviews of key personnel and requests for additional documentation to confirm the implementation of recommendations. We appreciate your cooperation in this matter.

If you have any questions, please call Faige Hornung at 212-669-8483 or e-mail her at fhornun@comptroller.nyc.gov.

Sincerely,

Marjorie Landa

c: Tracy Yogman
Amy Man
Faige Hornung
George Davis III

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Fiscal Year 2016 Audit Pertaining to the Queens Borough Public Library
Conducted by the New York City Comptroller

Audit Report on the Financial and Operating Practices of the Queens Borough Public
Library – Audit Number: **FN14-099A**

AUDIT IMPLEMENTATION PLAN

AGENCY: Queens Borough Public Library

Audit Title and Number: Financial and Operating Practices; Number FN14-099A

Date: August 22, 2016

Audit Finding	Audit Recommendation and Agency Response	Corrective Action Plan
<p>Lack of Oversight</p>	<p>1. Recommendation</p> <p><i>Revise its policies and procedures to ensure that proper Board and managerial oversight responsibilities are established and exercised for all aspects of the Library's operations, including but not limited to activities of the CEO and other executive staff.</i></p> <p>Agency Response: Agree</p>	<p>Corrective Action:</p> <p>The Library has implemented the following new policies and procedures over the past year to strengthen fiscal accountability that includes the following: (1) revised Business Expense Policy; (2) revised Credit Card Policy; (3) revised Professional Development/Institutional Advancement Policy;(4) new Budget Policy; (5) revised Conflict of Interest Policy covering all trustees, officers and employees in accordance with the Nonprofit Revitalization Act of 2013; and (6) revised Public Access to Records of the Queens Borough Public Library Policy. Additionally the Purchasing Policy will be revised based on the internal audit recommendations. The Library has revised its By-Laws to comply with recently enacted State legislation, providing greater openness to Board practices and ensure appropriate accountability.</p> <p>Date Implemented: Completed November 2015</p>

<p>Failed to ensure adequate financial controls</p>	<p>2. Recommendation</p> <p><i>Ensure the establishment and enforcement of proper financial controls for the effective use of the QBPL's resources.</i></p> <p>Agency Response: Agree</p>	<p>Corrective Action:</p> <p>The Library has implemented enhanced training, communication and review of all documentation for expenses incurred in compliance with the new policies issued. Additionally the Board of Trustees, at the recommendation of the Audit Committee, has engaged an auditing firm to perform on-going internal audits.</p> <p>In FY 16, an internal audit of the general and capital project procurement process and information system general computer controls, based upon a comprehensive organizational risk assessment was performed. All recommendations have been implemented or are in the process of being implemented in FY 17.</p> <p>Date Implemented: Completed in January 2016 and corrective actions have been implemented or are in the process of being implemented.</p>
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<p>Managerial Employees Work Hours Not Accounted For</p>	<p>3. Recommendation</p> <p><i>Revise the timekeeping policy to ensure all employees, including managerial employees, properly account for their work hours.</i></p> <p>Agency Response: Agree</p>	<p>Corrective Action:</p> <p>The Library has selected a vendor and funding for the project has been approved by OMB for the purchase and implementation of an automated time, leave and scheduling system for all Library employees.</p> <p>Date Implemented: In progress. A CP has been approved by OMB and contracts for the use of such funding have been negotiated and will be filed for registration within the next 30 days. Project planning has begun.</p>
<p>Did not report all executive compensation on W-2s</p>	<p>4. Recommendation</p> <p><i>Review prior W-2s issued by the QBPL to determine the value of any income not properly stated and take appropriate action, including reissuing any W-2s if necessary.</i></p> <p>Agency Response: Agree</p>	<p>Corrective Action:</p> <p>The Library has reviewed the value of the personal usage of fuel paid by the Library for take-home vehicles based on IRS guidelines and has issued corrected W-2s to reflect any income not properly stated.</p> <p>Date Implemented: Completed. Corrected W-2s were issued in November 2015.</p>

<p>Did not report all executive compensation on W-2s</p>	<p>5. Recommendation</p> <p><i>Recoup the value of any improper personal expenditures from credit card users or revise the W-2 forms to include the personal charges as wages of the staff.</i></p> <p>Agency Response: Agree</p>	<p>Corrective Action:</p> <p>The Library has reviewed credit card expenditures that are questionable or appear to be inconsistent with the Library's mission and determined to be personal in nature. The Library has sought reimbursement of these expenditures.</p> <p>Date Implemented: Appropriate demands have been made and the Library is considering available options. It should be noted that the propriety of the credit card charges that the Library is seeking to recoup from Thomas Galante is the subject of certain claims that Mr. Galante has asserted in a federal lawsuit that he has commenced against the Library alleging that he was wrongfully terminated for cause, as well as certain counterclaims that the Library has asserted against Mr. Galante in that lawsuit.</p>
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<p>Did not report all executive compensation on W-2s</p>	<p>6. Recommendation</p> <p><i>Ensure going forward that all reportable compensation is included as taxable income on employees' W-2s.</i></p> <p>Agency Response: Agree</p>	<p>Corrective Action:</p> <p>The Library Driver Safety Policy is in the process of being revised to require that all employees who use a Library vehicle must purchase gas utilizing the NYC Gas Card Program. This will ensure that all fuel charges are properly tracked and any reportable compensation will be included as taxable income on employees' W-2's.</p> <p>Date Implemented: Completed.</p>
<p>QBPL Failed to Appropriately Allocate Expenditures resulting in multi-year City Fund Deficits</p>	<p>7. Recommendation</p> <p><i>Establish a reasonable methodology to properly allocate costs among different funds.</i></p> <p>Agency Response: Agree</p>	<p>Corrective Action:</p> <p>The Library has taken this recommendation under advisement and the Board of Trustees has obtained the advice of expert consultants to establish a methodology for allocating expenses among funds that is appropriate and consistent with best practices of not-for-profit entities. The Board has reviewed and approved one of the allocation methods recommended.</p> <p>Date Implemented: Completed. An allocation method was approved by Board of Trustees on January 28, 2016.</p>

<p>Management salaries increased while branch services and support workforce decreased</p>	<p>8. Recommendation</p> <p><i>Maintain accurate records to support fund allocations and other financial and operational decisions, including raises, bonuses, staff reductions and reductions in services.</i></p> <p>Agency Response: Agree</p>	<p>Corrective Action:</p> <p>The Library has implemented a comprehensive documentation procedure, including equity reports for employee payroll actions.</p> <p>Documentation is filed, scanned and attached to employee master data in the human resource system.</p> <p>Documentation of fund allocations will be implemented as a result of the evaluation process per recommendation 7 above.</p> <p>Date Implemented: Completed November 2015</p>
<p>Inadequate Oversight</p>	<p>9. Recommendation</p> <p><i>Review the QBPL's policies and procedures to ensure that they adequately promote the mission of the Library and ensure the proper allocation of resources.</i></p> <p>Agency Response: Agree</p>	<p>Corrective Action:</p> <p>New policies and procedures have been reviewed, revised and implemented as described in Recommendation 1 above to ensure compliance with the Library's mission.</p> <p>Date Implemented: Completed November 2015</p>

3. Internal Audit Update

Background:

In June 2015, the Board of Trustees approved the selection of the auditing firm of BDO USA, LLP (“BDO”), pursuant to a Request for Proposals, to perform internal audit services. Based on a comprehensive review of Library services, extensive surveys and a presentation of the results, it was determined that an audit of the general procurement and capital projects processes and information system general computer controls should be conducted first since those processes and controls were rated with the highest degree of risk to the Library. Library staff worked collaboratively with BDO to facilitate a review of the Library’s procurement processes and information technology controls. In April 2016, an audit report was presented to the Audit Committee for review.

Current Status:

The report outlines five purchasing and six information technology recommendations. All recommendations were accepted and an audit implementation plan was developed and is attached for review.

The plan outlines the corrective actions and status of each of the recommendations. One of the purchasing and all six information technology recommendations have been successfully implemented. It is anticipated that the remaining purchasing recommendations will be implemented by the end of the fiscal year.

INTERNAL AUDIT IMPLEMENTATION PLAN

Queens Borough Public Library
Date: August 22, 2016

Audit Finding/Risk	Audit Recommendation and Agency Response	Corrective Action Plan
<p>5.1 Lack of Segregation of Duties between Vendor Maintenance and Invoice Processing (Risk Level – High)</p>	<p>Recommendation Management should segregate the duties to enter invoices and create new vendors in SAP. An audit log of changes in vendor master file should be reviewed regularly (e.g. monthly or quarterly) against supporting documents to ensure changes are valid and accurate. The reviewer should be independent and does not have access to the vendor master file.</p> <p>Agency Response: Agree</p>	<p>Corrective Action: The Information Technology Department has limited the authorization to enter new vendors in SAP to the Purchasing Department staff. The Purchasing staff has assumed responsibility for entering new vendors. The Accounts Payable Manager will review the W-9 requirements with the Purchasing Department staff.</p> <p>Audit logs of changes to vendor master data are reviewed on a quarterly basis by the Controller as of June 30, 2016.</p> <p>Date Implemented: June 8,2016</p>
<p>5.2 Lack of Formal Process for Vendor Approval and Master File Maintenance (Risk Level - Medium)</p>	<p>Recommendation Management should establish a formal policy to regulate the new vendor selection and approval process.</p> <p>Management should consider implementing a new vendor request form which would be completed by the requestor and approved by the necessary management to evidence the appropriate review. In lieu of a formal request form, Management could also consider evidence</p>	<p>Corrective Action: By September 30, 2016: The Purchasing Department, in consultation with the Legal Department, will recommend revisions to the Purchasing Policy that incorporates a formal vendor selection and approval process.</p>

	<p>review and approval on the W-9 form and scanning the form into SAP for proper maintenance</p> <p>Background checks should be either performed for specific types of new vendors</p> <p>An annual review of vendor master file should be performed to identify dormant vendors and deactivate the account.</p> <p>Agency Response: Agree</p>	<p>The Purchasing Department has begun implementing background checks for vendors whose contracts are subject to Board approval.</p> <p>The SAP Team has developed a report transaction to review the vendor list and identify dormant vendors to deactivate. Finance will provide Purchasing with a list of vendors to deactivate on an annual basis.</p> <p>Date Implemented:</p>
<p>5.3 Lack of formal policies and procedures related to the complete capital project management process. (Risk Level – Medium)</p>	<p>Recommendation</p> <p>Management should establish formal policies and procedures to provide guidance to the Departments who are responsible for the capital project management process.</p>	<p>Corrective Action:</p> <p>By September 30, 2016: The Purchasing Department, in consultation with the Legal Department, will recommend revisions to the Purchasing Policy that incorporate further guidance for soliciting and selecting vendors, and addressing contract renewals.</p> <p>A capital project management process has been implemented as follows:</p> <p>The Capital Project Department, in conjunction with stakeholders, updates the Ten Year Capital Plan annually. The plan prioritizes capital needs and funding requests systemwide. The plan is reviewed</p>

	<p>Agency Response: Agree</p>	<p>and approved by the Board of Trustees annually.</p> <p>The Library developed and launched a Capital Project website for the public to track and monitor the status and budgets of all capital projects. The status of each project will be updated on a quarterly basis.</p> <p>The Finance Department in conjunction with the Capital Project Department and the Government & Community Affairs Department updates the funding for each project on a quarterly basis.</p> <p>A Capital Program book is assembled on an annual basis, based on revised priorities to the capital plan and status of projects. This book is utilized as the Library's capital plan and provided to all stakeholder for funding.</p> <p>Date Implemented: September 30,2016</p>
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<p>5.4 Outdated Purchasing policy (Risk Level - Medium)</p>	<p>Recommendation Management should review the Purchasing Policy to ensure it reflects the Library’s current purchasing processes. Approval thresholds should be reviewed and updated based on the Library’s current budget and financial standing to ensure approval thresholds are practical and authorizations can be obtained efficiently. Policies and procedures related to competitive bidding process should be established to cover all relevant processes and ensure consistency</p> <p>Agency Response: Agree</p>	<p>Corrective Action: By September 30, 2016: The Purchasing Department in consultation with the Legal Department, will recommend revisions to the Purchasing Policy update approval thresholds and competitive bidding processes for approval by the Board of Trustees.</p> <p>Date Implemented:</p>
<p>5.5 Lack of a contract management system (Risk Level – Low)</p>	<p>Recommendation Management should consider implementing a contract management system or exploring the SAP’s capability to automate the contract management process.</p> <p>Agency Response: Agree</p>	<p>Corrective Action: By September 30, 2016: The Purchasing and Legal Departments will jointly begin the process of researching contract management systems with the Information Technology Department.</p> <p>We explored the SAP solution as recommended and concluded that we can implement Contract Lifecycle Management from SAP SRM which will help us in managing Contracts.</p> <p>We can meet the proposed completion date as long as the pending SAP consulting contracts are executed by the beginning of November 2016.</p> <p>Proposed Completion Date: 05/31/2017</p>

<p>6.1 Lack of Segregation of Duty over SAP Change Management. (Risk Level - High)</p>	<p>Recommendation Management should remove non-IT users' and external consultant's access to SAP transaction code "STMS", as well as restricting programming abilities and access to authorized IT personnel only to ensure all changes to SAP production are subject to the established change management process. If external consultant requires such access, management should consider consultant's access in SAP production remaining inactive until such access is requested and approved. If end users require such access, management should consider assigning read-only/view-only access instead of write access or execute access.</p> <p>Further, management should limit SAP developers' access to the SAP development environment (DEV) and testing environment (QAS.. A designated non-developer IT personnel should be granted access only to the testing environment (QAS) and the production environment (PRD) to implement changes upon proper change testing and approval.</p> <p>Agency Response: Agree</p>	<p>Date Implemented:</p> <p>Corrective Action: The technical team has made the following changes to the SAP system based on the recommendation in the audit report as of February 23, 2016:</p> <p>Authorization objects have been changed to remove STMS from production:</p> <p>(1) ZIMG_FI: STMS access has been removed from this role and all users assigned to the role. If any users run into an issue with this modification it will be reviewed at that time. At this point the technical team has not had any issues reported.</p> <p>(2) ZQL_SAP_BASIS: A change to the role ZQL_SAP_BASIS role is assigned to selected ITD SAP basis users in all three systems allowing only technical basis team members the ability to deploy changes into the production system after the CITO/SAP lead has given final approval.</p> <p>Date Implemented: February 23, 2016</p>
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<p>6.2 Lack of proper controls over the access to “SAP_ALL” and to SAP batch Job Scheduler. (Risk Level - High)</p>	<p>Recommendation The SAP technical team has removed all unnecessary access as stated in the recommendations in the audit report for all users in the SAP production landscape. Any users that required elevated access will need prior department head and CITO’s approval for the access.</p> <p>Agency Response: Agree</p>	<p>Corrective Action: SAP authorizations have been limited as of February 23, 2016 as follows:</p> <ul style="list-style-type: none"> (1) SAP_ALL has been removed from users in the production system. (2) S_BATCH_JOB: This access has been removed from all users that do not require S_BATCH_JOB access. At this time the only non-technical users that remain with this access is the payroll team. See below for the listed users with S_BATCH_JOB access. Michael Flash (technical /basis team)Consultants (technical/non technical) when required (3) S_PROGRAM: Access has been removed from all users that do not require S_ access. At this time the only non-technical users that remain with this access is the payroll team. See below for the listed users with S_PROGRAM access. Authorization for this program is required for certain HR and Payroll programs to function. <p>Date Implemented: February 23, 2016</p>
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<p>6.3 Lack of Supporting Documentation Underlying SAP Change Process (Risk Level – High)</p>	<p>Recommendation The SAP technical team has removed all unnecessary access as stated in the recommendations in the audit report for all users in the SAP production landscape. Any users that required elevated access will need prior department head and CITO’s approval for the access.</p> <p>Agency Response: Agree</p>	<p>Corrective Action: The new documentation process has been implemented. A formal document outlining all of the steps for the workflow will be created.</p> <p>Date Implemented: February 23, 2016</p>
<p>6.4 Failure to implement a provisioning process for SAP and Network Access (Risk Level – Medium)</p>	<p>Recommendation Management should consider reviewing and reinforcing SAP access provisioning policy and process to ensure that 1) all SAP access rights assignment (both access creation and access modification) go through a defined access provisioning process consistently and 2) all SAP and network access is removed or disabled timely. In addition, coordination between the HR department and the IT department should be enhanced to ensure timely communication over removing/disabling access upon employee terminations.</p> <p>Agency Response: Agree</p>	<p>Corrective Action: A provisioning and modification process has been reviewed and will be implemented on a consistent basis.</p> <p>A revised notification process has been implemented as of March 9, 2016. Human Resources will continue to notify all departments of separations. The SAP Team members responsible for disabling SAP accounts for terminated employees will be included in the notification. Accounts will be disabled on the termination date specified by Human Resources in the Accounts Workflow Termination Request.</p> <p>Date Implemented: March 9, 2016</p>

<p>6.5 Failure to Perform SAP Access Recertification (Risk Level – Medium)</p>	<p>Recommendation Management should establish a periodic (at least annually) review process/control over SAP user access rights to ensure the appropriateness of SAP user access rights</p> <p>Agency Response: Agree</p>	<p>Corrective Action: A process will be created to send department heads//managers the current access levels in the SAP landscape for the staff assigned to their business areas every six months. The department head/manager will be required to review the report and send back a confirmation of acceptance or changes to the Helpdesk for their review. If a change is required the Helpdesk will initiate a ticket for the SAP technical team with all required documentation. We will be sending first set of reports on the dates given below.</p> <p>Date Implemented: 09/26/2016 - 09/30/2016</p>
<p>6.6 Lack of Password Complexity (Risk Level – Low)</p>	<p>Recommendation Management should consider configuring all available password parameters in Windows AD and SAP application for stronger password requirements.</p> <p>Agency Response: Agree</p>	<p>Corrective Action: Password Complexity has been changed Windows AD. The password complexity policy for SAP will be implemented by the end of April 2016, after communicating the change to all users.</p> <p>The technical team has enabled the settings for SAP to expire the password every 90 days. After the setting was changed in production the team tested to ensure the change is working as expected. Process documentation was provided on 06/08/2016</p> <p>Date Implemented: 04/30/2016</p>

IV. ADJOURNMENT