December 22, 2017

Michael Cohen, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Mr. Michael Cohen,

In accordance with the State Leadership Accountability Act (SLAA), the California State Library submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2017.

Should you have any questions please contact Narinder Sufi, Deputy State Librarian, at (916) 653-9759, narinder.sufi@library.ca.gov.

BACKGROUND

Founded in 1850, the California State Library (CSL) is the oldest, continuous cultural agency in the State of California. Decades before there was a university system or a public library system, there was the California State Library.

The California State Library reports directly to the Governor’s Office and is charged with performing various functions, as defined by law. Under the direction and leadership of the State Librarian – appointed by the governor and confirmed by the Senate – the State Library has responsibility to:

- Collect, preserve and – most importantly – connect Californians to our history and culture.
- Support a transparent government by collecting, preserving and ensuring access to California state government publications, federal government information and patent and trademark resources.
- Ensure access to books and information for Californians who are visually impaired or otherwise physically handicapped and unable to read standard print.
- Help state policy leaders make informed decisions by providing specialized research to the Governor’s Office and the cabinet, the Legislature and constitutional officers.
- Provide state government employees with the information resources and training they need to be effective, efficient and successful.
- Promote innovative local library services by managing state and federal funding programs to ensure all Californians have access via their libraries to the information and educational resources they need to be successful.
- Support programs that help Californians – ages one to 105 – develop the literacy skills they need to thrive in the 21st Century.

Mission Statement:

The California State Library enriches lives and connects people, libraries and government to information and resources.

Core Values:
CORE VALUES

Integrity
Excellence
Credibility
Equitable access to information
Service

Organizational Structure:

State Library Services Bureau:
The State Library Services Bureau is the “operations side” of the California State Library. The bureau provides information delivery to state government, to the staff and patrons of other libraries around the state and directly to individual Californians. State Library Services is divided into six sections of specialty and expertise:

- Braille and Talking Book Library
- California History
- Information Resources
- Government Publications
- Witkin Law Library
- Sutro Library (in San Francisco)

This bureau is also responsible for the acquisition, cataloging, maintenance and preservation of the State Library’s unique and valuable collections.

Library Development Services Bureau:
The Library Development Services Bureau provides state and federal financial assistance to California libraries as well as technical consulting to help local libraries extend and improve services. This bureau is also responsible for managing and providing support for the following programs:

- California Library Literacy Services
- California Library Services Act
- The federal Library Services and Technology Act

California Research Bureau:
The California Research Bureau provides research and information support services to the governor and cabinet, state agencies and departments, the Senate, the Assembly and California’s constitutional officers. The Research Bureau’s non-partisan, evidence-based work products are designed to inform the deliberations and decisions of policymakers and their staff.

Administrative Services Bureau:
The Administrative Services Bureau supports all activities of the State Library by managing business processes and functions. This encompasses a variety of responsibilities including: personnel administration, labor relations, budgeting, accounting, local assistance, procurement, contracts, compliance, mail delivery and facilities operations.
Information Technology Bureau:

The Information Technology Bureau provides information technology services and resources for the State Library. The bureau supports applications, software and systems needed to fulfill the library’s core missions and objectives.

Office of the State Librarian:

The State Librarian’s office provides direction to all bureaus overseeing programmatic functions and ensures the State Library remains true to its mission.

Two functional areas report directly to the State Librarian: Equal Employment Opportunity and Public Communications. The Communications team is responsible for external and internal communications such as management of online content, newsletters and staff announcements. The Communications team also helps coordinate State Library events, building tours and responds to Public Record Act requests.

ONGOING MONITORING

As the head of California State Library, Greg Lucas, State Librarian, is responsible for the overall establishment and maintenance of the internal control and monitoring systems.

Executive Monitoring Sponsor(s)

The executive monitoring sponsor responsibilities include facilitating and verifying that the California State Library internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Narinder Sufi, Deputy State Librarian, and Liz Vierra, Chief, Administrative Services Bureau.

Monitoring Activities

It is the California State Library’s management philosophy to facilitate an effective internal control system that cannot be easily overridden. The State Library has adequate, ongoing internal control procedures over critical functions including information access and data integrity, fiscal and grant management, accounting, payroll, personnel management, contracts and procurement.

Given the challenges with FI$Cal implementation, the State Library conducts weekly reviews to ensure adequate separation of duties and is proactive in identifying and addressing deficiencies in its overall operations. Issues that are serious or need immediate attention are brought to the weekly meeting of the Executive Team, made up of the chiefs of each bureau, Deputy State Librarian and the State Librarian.

Through each program and section’s supervisory staff, the State Library strives to systematically identify issues that adversely impact its efficiency and effectiveness. Through an ongoing process of assessment, action and evaluation, these efforts continue to identify issues that may pose risks to the library. Issues that need attention or discussion are brought up at the monthly leadership meeting, made up of the supervisors and managers of each section. Routine management activities which help us manage our operations effectively are all staff having the opportunity to meet periodically with their line manager in one on one setting, monthly individual section staff meetings, annual performance review meetings and California State library all staff meeting every quarter. These periodic meetings provide us with many platforms where risks and mitigation of that risk is discussed.
With new strategic plan in place we are now developing new reporting mechanism on progress, this mechanism is to identify any issues that can pose a risk to our agreed objectives delivery as well as to address mitigation efforts.

**Addressing Vulnerabilities**
Once an issue is identified and discussed at the Executive Team, a work plan is developed. Responsibilities, possible solutions and corrective actions are discussed and a timeline is developed. Weekly status reports are given during the meetings of the Executive Team to ensure timely resolution.

**Communication**
Through each program and section’s supervisory staff, the State Library strives to systematically identify issues that adversely impact its efficiency and effectiveness. Through an ongoing process of assessment, action and evaluation, these efforts continue to identify issues that may pose risks to the library. Issues that need attention or discussion are brought up at the monthly Supervisors meeting, made up of the supervisors of each section. Issues that are serious or need immediate attention are brought to the weekly meeting of the Executive Team, made up of the chiefs of each bureau, Deputy State Librarian and the State Librarian.

**Ongoing Monitoring Compliance**
The California State Library is in the process of implementing and documenting the ongoing monitoring processes as outlined in the monitoring requirements of California Government Code sections 13400-13407. These processes include reviews, evaluations, and improvements to the California State Library systems of controls and monitoring.

**Risk Assessment Process**
The following personnel were involved in the California State Library risk assessment process: Executive Management, Middle Management, Front Line Management, and Staff.

**Risk Identification**
Consistent with guidance from the Department of Finance, the State Library applied a broad interpretation to the State Leadership Accountability Act assessment process, weighing all risks with the potential to impact the State Library’s financial integrity or to jeopardize the library’s mission. As an initial step to identify risks, Deputy State Librarian Narinder Sufi provided the executive team with a list of previously identified risks which were based on the threshold of Control Environment Questions provided by the Department of Finance. All senior managers were instructed to work with their teams to look at the previously identified risks and add any new risks using the broadest perspective possible to create a list of risks that might impact the State Library’s ability to effectively carry out its mission.

A follow-up brainstorming session to discuss any identified risks was conducted. This session provided an opportunity to discuss and prioritize three potential risks to the State Library and its mission. All risks identified during this meeting were further analyzed in a subsequent executive meeting.

**Risk Ranking**
The most significant risks were identified on the basis of potential impact to the organization and probability of occurrence.

These risks fall into the three broad categories of:
Funding- Sources, Levels
Staff- Key Person Dependence, Workforce Planning
Fi$cal Implementation, Maintenance, or Functionality

RISKS AND CONTROLS

Risk: Operations -External-Funding—Sources, Levels
General fund revenue available to CSL for all operations continues to shrink.

By far the greatest risk posed by these chronic budget shortfalls centers on our ability to meet customer expectations to fulfill the library’s mission in enrich lives and connect people, libraries and government to information and resources.

Managers identified a variety of risks posed by inadequate funding, but a major risk is how it limits our ability to meet our mission and provide enhanced access to our resources: the past, present and future. Due to the shortfall of resources, we are unable to fulfill the needs of our clients at the same pace they would like us to or in some instances, at all. A few examples are:

- We are unable to subscribe to all of the online databases required by state employees. We compete with the university system: state employees who perform research duties to properly inform decision and policy makers do not have the same access as college students. Interagency agreements, shared costs/accesses, or more general fund money is needed for this purpose.

- The California State Library has been building collections for almost 170 years. Many of these collections consist of valuable, rare and sometimes unique publications, manuscripts and artifacts. These collections are housed in three buildings: two in downtown Sacramento and one building on the San Francisco State University campus. Since the State Library’s operations depend heavily on the ability to maintain the integrity of its collections, the cataloging and preservation of these resources and making them accessible via electronic means is imperative. We are unable to catalog and digitize our collections to make them available to the public in the instantaneous manner in which they have become accustomed, due to limited staff, equipment and technological resources. More staff and general fund money is needed.

- We are unable to enhance or increase our service activities in an effort to modernize our library offerings to meet the changing needs of our clients. For example, by 2025, a quarter of Californians will be 65 years-of-age or older, creating a rise in visually impaired patrons seeking assistance, who our Braille and Talking Book Library (BTBL) provides services. Currently, BTBL’s operations is funded with federal LSTA funds which is an unsustainable service model to suffice the future needs of California’s senior citizens.

Since 2006, the State Library’s general fund budget and position authority continues to shrink.

The greatest risk posed by these chronic budget shortfalls centers on our ability to meet customer expectations and to fulfill the library’s mission and provide enhanced access to our resources: the past, present and future.

Control A

- The library will continue to adapt service levels to available resources and measure user
dissatisfaction.
• The library will continue to work with the Department of Finance on additional funding through the BCP process.
• The library will continue to explore agency and department partnering opportunities in any possible areas to pool resources.
• The library is working on a new strategic plan which will help streamline some processes and enable further staff efficiency.

Risk: Operations -Internal-Staff—Key Person Dependence, Workforce Planning
In line with other agencies, the California State Library faces the situation where long term staff members in key positions are coming to their retirement age or have decided to move onto different roles. This has and will continue to cause the State Library to experience great loss of institutional knowledge. Many of these staff members have significant organizational knowledge on past practices and policies. Additionally, we also have a situation where it is hard to hire qualified staff in some key classification areas. Coupled, these two issues create a greater risk of key positions being vacant over a longer period of time and increases our risk in our ability to fulfill the library’s mission and to provide enhanced access to our resources: the past, present and future.

There is only one State Library: two-thirds of our positions are specialized, almost department-specific classifications; very few other departments have librarian positions. Librarian position salaries are not competitive with the private sector or public libraries - which makes them unattractive to many qualified candidates and results in “hard-to-recruit for” positions. Promotional opportunities are few and the lack of ongoing succession planning for key positions and the difficulty in recruiting qualified staff heightens this risk.

Loss of organizational knowledge and key positions being vacant over a longer period of time poses risk on our ability to fulfill the library’s mission and to provide enhanced access to our resources: the past, present and future.

Control A
A robust plan would include the following elements:

• Identify key roles in the organization
• Have succession plan in place for each position
• Develop and mentor internal talent
• Embracing succession planning as a process, not a onetime event
• Continue to work with CalHR to seek assistance with examinations, recruitment and retention, especially in hard to recruit job roles.

Risk: Operations -Internal-FI$Cal Implementation, Maintenance, or Functionality
Continued fiscal and programmatic operating inefficiency, delayed and/or deadline-missed departmental reporting and compliance requirements not being met continue to occur as a result of the FI$Cal system implementation. The system continues to encounter glitches and errors. Staff time spent on resolving errors resulting from system issues delays the timely performance of other critical functions. Library programs and management are unable to make timely and informed budgetary allocations and decisions.

Implementation of FI$Cal and its promise of real-time financial management for the State Library was advertised as simple and straightforward. The implementation process was to be completed and the State Library reaping FI$Cal's benefits more than two years ago.
The initial learning curve for the new system was steep, creating more data entry errors (and subsequent corrections) that instead of easing workload, increased it. False starts and numerous glitches continue to delay total system implementation, internal and external financial reporting, month-end and fiscal year-end closings and undercut staff and management’s confidence in the supposed "real-time", transparent benefits.

System glitches continue to require workarounds pending creation of permanent fixes, cause significant staff pressure due to delayed financial reporting to control agencies who may then not meet deadlines or use inaccurate information, and impose undue staff time spent revisiting the same system errors numerous times - with little to no resolve. Fi$Cal staff are unable to promptly or sometimes adequately address assistance requests or resolve the system glitch "fall out" errors thus paralyzing progress and resulting in excessive backlog as the current fiscal year month-end reporting and close-out cannot begin until the previous year is closed.

To date, the State Library is still attempting successful integration of the Fi$Cal system and its operations. The library is in its third year of conversion now, with departmental reporting and compliance requirements severely affected. Risks have developed in these areas as earlier predicted. We are unable to provide timely, accurate budget information to programs or meet compliance requirements in our year-end reporting. Excessive backlog for current year month-end reporting and projections is unduly created.

**Control A**

Continue to work closely with assigned Fi$Cal support staff to address and resolve issues.

Continue to seek additional assistance and clarification from control agencies.

Continue to attend meetings and User Support Lab training with Fi$Cal staff/ trainers to complete activities both within Fi$Cal and required tasks outside of Fi$Cal.

Continue to submit Fi$Cal Service Center tickets as problems occur and follow up with the service center if responses are not adequate or timely.

Attend Fi$Cal training provided by Department of Finance.

Continue to observe and implement controls to mitigate risk from any new Fi$Cal implementations or procedural changes.

**CONCLUSION**

The California State Library strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising controls to prevent those risks from happening. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.
Greg Lucas, State Librarian

CC: California Legislature [Senate (2), Assembly (1)]
   California State Auditor
   California State Library
   California State Controller
   Director of California Department of Finance
   Secretary of California Government Operations Agency