

STATE OF CONNECTICUT



*AUDITORS' REPORT
CONNECTICUT STATE LIBRARY
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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AUDITORS OF PUBLIC ACCOUNTS

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July 25, 2016

AUDITORS' REPORT CONNECTICUT STATE LIBRARY FOR THE FISCAL YEARS ENDED JUNE 30, 2012 and 2013

We have audited certain operations of the Connecticut State Library (State Library) in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2012 and 2013. The objectives of our audit were to:

1. Evaluate the library's internal controls over significant management and financial functions;
2. Evaluate the library's compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions; and
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the department; and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United

States. Those standards require that we plan and perform our 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 such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from the State Library's management and was not subjected to the procedures applied in our audit of the State Library. For the areas audited, we identified:

1. Deficiencies in internal controls;
2. Apparent noncompliance with legal provisions; and
3. Need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of the Connecticut State Library.

COMMENTS

FOREWORD

The State Library Board, which is within the Department of Education for administrative purposes only, operates under the provisions of Title 11 of the Connecticut General Statutes and oversees the activities of the State Library. The primary functions of the State Library include: providing advice, planning, and financial assistance to all libraries in the state; operating the Raymond E. Baldwin Museum of Connecticut History and Heritage; maintaining library services for the blind and other persons with disabilities; and providing library and information services for state government and the public.

Pursuant to Section 11-1 subsection (d) of the General Statutes, the State Library Board established the Connecticut Heritage Foundation, Inc., a nonprofit foundation to raise funds from private sources to enhance the collections and programs of the State Library and Museum. We issue a separate report on foundation operations.

The State Library's fiscal and human resource functions were transferred to the Department of Administrative Services' (DAS) Small Agency Resource Team (SmART) in October 2011.

Kendall F. Wiggin served as State Librarian throughout the audited period.

Significant Legislation

There were no legislative changes with a significant effect on the operations of the Connecticut State Library during the audited period.

Members of the State Library Board

Section 11-1 subsection (a) of the General Statutes provides that the board shall consist of 12 members. The board members, as of June 30, 2013, were as follows:

John N. Barry, Chairperson	Linda Anderson
Robert Beach	Eileen DeMayo
Ernest A. DiMattia, Jr.	Robert D. Harris
Allen Hoffman	Joy W. Hostage
James G. Johnston	Mollie Keller
Michael R. Sheldon	
Stefan Pryor, Commissioner of the Department of Education, or a designee	

Other members who also served on the State Library Board during the audited period were:

Daphne Deeds	Jack Hasegawa
Francis X. Hennessy	William Lavery
Scott Hughes	

The State Library Board has two advisory groups. The Advisory Council for Library Planning and Development, pursuant to Section 11-1 subsections (f) (1) and (f) (2) of the General Statutes, consists of 19 members appointed by the State Library Board and deals with library planning and development issues. Section 11-6a subsection (b) of the General Statutes establishes the Museum Advisory Committee, which consists of eight members, that advises the State Library Board with respect to the policies, collections, programs, activities, and operations of the Raymond E. Baldwin Museum of Connecticut History and Heritage.

RÉSUMÉ OF OPERATIONS

General Fund Cash Receipts and Expenditures

General Fund receipts applicable to State Library operations totaled \$1,731 and \$4,474 for the fiscal years ended June 30, 2012 and 2013, respectively. The significant increase during fiscal year 2012-2013 was the result of a civil penalty imposed and collected as restitution from a former employee.

A summary of General Fund expenditures applicable to State Library operations for the audited period and the preceding fiscal year is presented below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Budgeted Accounts			
Personal Services	\$5,450,168	\$5,413,279	\$5,026,623
Contractual Services	3,112,601	3,256,369	3,297,954
Commodities	40,384	25,498	79,285
Sundry Charges	4,834	4,148	2,269
Grants-in-Aid	1,976,595	1,630,692	3,766,301
Equipment	<u>482,173</u>	<u>292,182</u>	<u>121,726</u>
Total Expenditures	<u>\$11,066,755</u>	<u>\$10,622,168</u>	<u>\$12,294,158</u>

Expenditures from budgeted accounts decreased approximately four percent during the fiscal year ended June 30, 2012 and increased nearly 16 percent during the fiscal year ended June 30, 2013. The decrease of \$386,656 in personal services costs during the 2012-2013 fiscal year was caused by multiple factors. The State Library's business office and personnel functions were transferred to the DAS SmART unit in October 2011, which resulted in positions being eliminated and/or transferred. In addition, approximately four employees retired and those positions remained vacant for an extended period of time. Subscriptions and online information services accounted for approximately 80 and 81 percent of total contractual services during the respective audited periods. The increase of \$53,787 in commodities during fiscal year 2012-2013 was mainly attributable to increases in general office supplies and minor equipment purchases, which included 35 personal computers. The significant increase of \$2,135,609 in the grants-in-aid category during the 2012-2013 fiscal year was mainly due to a state-aid-grant appropriated to the State Library for the Connecticut Humanities Council. In prior fiscal years, this state-aid-grant had been included within the budget of the Department of Economic and Community Development. The decrease in the equipment category during the 2012-2013 fiscal year was a result of decreases in capital outlays for book purchases.

During the audited period, the State Library administered a number of state-aid-grant programs. A schedule of grant expenditures by program and a brief description of each program are presented below:

	<u>State-Aid-Grants</u>		
	<u>Fiscal Year Ended June 30,</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund Budgeted Accounts			
Cooperating Library Service Units	\$263,003	\$332,500	\$332,500
Grants to Public Libraries	347,109	207,692	203,569
Connecticard Payments	1,226,028	1,000,000	1,000,000
Computer Access	140,455	90,500	180,480
Connecticut Humanities Council	-	-	<u>2,049,752</u>
Total State-Aid-Grants	<u>\$1,976,595</u>	<u>\$1,630,692</u>	<u>\$3,766,301</u>

Cooperating Library Service Units – Section 11-9e of the General Statutes provides for libraries to coordinate services through planning, resource sharing, and the development of programs too costly or impractical for a single library to maintain.

Grants to Public Libraries – Section 11-24b subsections (b), (c) and (d) of the General Statutes authorizes three types of grants to principal public libraries: base grants, formula based equalization grants, and incentive grants.

Connecticard Payments – Section 11-31b of the General Statutes provides for a cooperative program among public libraries that allows residents to borrow materials from any participating state public library. Grant payments to participating libraries are based on the volume of program activity levels.

Computer Access – Section 11-2b of the General Statutes states that the State Library, in consultation with the Commission for Educational Technology, within available appropriations, shall contract, through a request for proposal process, for the development of a Connecticut Parent Technology Academy. The academy shall be host network for the development of increased opportunities for parents of elementary, middle, and secondary school students to learn about and demonstrate their knowledge of information technologies.

Connecticut Humanities Council – Section 10-373aa of the General Statutes established a grant program to provide grants and support services for local institutions in the humanities. The Connecticut Humanities Council is the state affiliate of the National Endowment for the Humanities. The council focuses its work on two time-honored traditions in the humanities: reflective reading of literature and exploration of history. The state-appropriated funds, as well as federal funding and private donations, support the council.

Special Revenue Funds

Federal and Other Restricted Accounts Fund

A summary of federal and other restricted accounts receipts applicable to State Library operations for the audited period is presented below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Federal and Other Restricted Accounts:			
Federal Grants	\$2,039,831	\$2,064,051	\$2,184,938
Non-Federal Aid	1,197,158	1,175,005	1,601,653
Gain on Sale of Equipment	-	217,966	-
All Other	<u>100,163</u>	<u>98,467</u>	<u>4,997</u>
Total Receipts	<u>\$3,337,152</u>	<u>\$3,555,489</u>	<u>\$3,791,588</u>

Federal grant receipts resulted from grant agreements between the federal government and the State Library for the administration of programs and activities supporting statewide library initiatives and services. Non-Federal Aid receipts were primarily for a grant program, entitled

Historic Documents Preservation Account, funded from a portion of fees collected by local towns, to be used for grants to towns for the preservation and management of historic documents. The gain on sale of equipment of \$217,966 during the 2011-2012 fiscal year represents proceeds from an auction of deaccessioned maps and other items from the State Library's collection.

A summary of federal and other restricted accounts expenditures applicable to State Library operations for the audited period is presented below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Federal and Other Restricted Accounts:			
Restricted Federal Accounts	\$2,121,318	\$2,159,129	\$2,157,709
Historic Documents Preservation Account	876,923	940,740	1,072,526
All Other Private Accounts	<u>122,468</u>	<u>124,444</u>	<u>34,428</u>
Total Expenditures	<u>\$3,120,709</u>	<u>\$3,224,313</u>	<u>\$3,264,663</u>

Expenditures in the Federal and Other Restricted Accounts Fund were relatively stable during the audited period. The decrease of \$90,016 in the All Other Private Accounts category during the 2012-2013 fiscal year was mostly due to one private grant which was discontinued. Expenditures primarily consisted of personal services, related fringe benefits, and grant awards for the various federal and state programs.

Capital Equipment Purchase Fund

Capital Equipment Purchase Fund expenditures totaled \$203,956 and \$55,870 during the fiscal years ended June 30, 2012 and 2013, respectively. These purchases were primarily made for office equipment, including shelving, computers, and data processing equipment.

Grants to Local Governments and Others Fund

This fund was primarily used for grants for public library construction, improvements, and other related projects. Expenditures totaled \$2,127,392 and \$1,292,332 during the fiscal years ended June 30, 2012 and 2013, respectively. Fluctuations were mainly caused by the availability of state and local funds for approved projects.

Capital Improvements and Other Purposes Fund

There were no expenditures made from this fund during the fiscal years ended June 30, 2012 and 2013.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

The following recommendations resulted from our current review of the Connecticut State Library:

Property Control and Reporting

Criteria: Section 4-36 of the Connecticut General Statutes requires each state agency to establish and keep an inventory account in a form prescribed by the State Comptroller and to transmit to the Comptroller a detailed annual inventory of all real property and capitalized personal property owned by the state and in the custody of the agency.

The State Property Control Manual specifies requirements and standards state agency property control systems must include to ensure that all assets currently owned by or in custody of the state are properly acquired, managed, and disposed of. These requirements include: proper accounting of equipment, filing an accurate Asset Management/Inventory Report/GAAP Reporting Form (CO-59 form), conducting an annual physical inventory, and establishing software inventory records to track and control all agency software media, licenses, certificates of authenticity, and other related items. For works of art and historical treasures, additional information is required, which includes a detailed description of the item.

Condition: The State Library maintains separate inventory systems and records for different categories of inventory. Our review of the State's Library property control and reporting systems disclosed the following deficiencies:

- Reporting: The State Library did not complete CO-59 forms for the fiscal years ended June 30, 2012 and 2013.
- Equipment: We conducted a physical test of 30 equipment items. We found that 16 of those 30 items (53 percent) selected for testing contained exceptions. Two of the 30 items (6.7 percent) were not found. One of these two items had been surplused; yet the Core-CT asset management system, used to account for equipment, listed the item as in-service. Eleven of the 30 items (36.7 percent) were not found in the location recorded in the Core-CT asset management system. In

addition, three of the 30 items (10 percent) had not been entered into the Core-CT asset management system.

In a separate test of new equipment purchases, we found that five out of five items (100 percent) had not been inventoried in the Core-CT asset management system. We did note that the items had been properly tagged and were in the library's custody. These items were purchased in June 2013; our testing was conducted in August 2015.

- Works of Art and Historic Treasures: We conducted a physical inspection of 20 museum collection items. We were unable to verify the existence of two out of the 20 items (10 percent). In addition, we noted that for seven of the 20 items (35 percent) there were inaccuracies with the information contained in the agency's internal database. Specifically, we found that three of the seven items were deaccessioned, yet the database did not reflect that information. Another four items were not found in the location indicated per the database.

The State Library did not complete a physical inventory of these items during the audited period.

- Software Inventory: The State Library does not maintain a complete software inventory list, as required by the State Property Control Manual

Effect: The Office of the State Comptroller was not provided with the required information necessary to prepare the state's financial statements. As a result, the state's annual financial statements may contain erroneous information. Deficiencies in the control over equipment and museum inventory result in a decreased ability to safeguard state assets and inadequate insurance coverage in case of loss or damage. Without an effective property control system, it is difficult to assess whether inventory is missing, stolen, traded-in, or scrapped.

Cause: The causes were not determined.

Recommendation: The Connecticut State Library should improve its internal controls relating to asset management and the reporting of assets, as described in the State Property Control Manual and in accordance with 4-36 of the General Statutes. (See Recommendation 1.)

Agency Response: “The State Library's business operations were transferred to the Department of Administration (DAS) in September of 2011. The original Memorandum of Understanding did not address the CO-59. The State Library has subsequently met with DAS and they have agreed to preparing the CO-59 as well as entering and retiring items in Core CT. The State Library will perform the physical inventory.”

Public Library Construction Grants

Criteria: Section 4-231 subsection (a) (1) of the General Statutes states that each nonstate entity which expends a total amount of state financial assistance equal to or in excess of three hundred thousand dollars in any fiscal year of such nonstate entity beginning on or after July 1, 2009, shall have either a single audit or a program-specific audit made for such fiscal year.

Section 4-232 subsection (b) (1) of the General Statutes states that upon completion of the audit, the nonstate entity shall file a copy of the audit report with the cognizant agency and, if applicable, state grantor agencies and pass-through entities.

In addition, the Regulations of Connecticut State Agencies Section 4-236-29 discusses audit resolution and recovery of state program funds based on audit findings. Specifically, subsection (b) states that after the audit report is accepted by the cognizant agency, the grantor state agencies shall review the audit report, including the audit findings relating to the agencies' programs and the auditee's corrective action plans.

Condition: We reviewed three towns that received construction grants for public libraries from the State Library during the audited period. We found that one library received approximately \$725,224 during the 2011-2012 fiscal year, but we were unable to locate any state single audit report for this organization. It appears that there was no state single audit conducted for that fiscal year and, as a result, a state single audit report had not been completed. The State Library did not have a copy of a state single audit report and further review revealed that no reports had been filed with the Office of Policy and Management (OPM), the cognitive agency. For another town selected, we found that, although a state single audit had been completed; a copy was not on file for review at the State Library. We were able to obtain a copy through the OPM Electronic Audit Report System.

During the course of our review, we also noted that monitoring for compliance with the requirements of the state single audit statutes was not done during the audited period. In the past, certain State Library employees would identify towns that had received construction grants and, as a result, may be subject to the state single audit statutory requirements. The employees would send letters to the towns to remind them of those requirements. We found that, during the audited period, these types of letters were not sent and monitoring of receipt of single audit reports was not completed.

Effect: The lack of monitoring for compliance with state single audit statutes and regulations leads to an increased risk of noncompliance with statutory requirements and may also lead to erroneous financial reporting.

Cause: It appears that the employees previously assigned the duties of monitoring for compliance with state single audit requirements have retired and the State Library has not assigned those responsibilities.

Recommendation: The Connecticut State Library should monitor for compliance with the state single audit statutes and state regulations relating to those statutes and should review state single audit reports for audit findings and erroneous information. (See Recommendation 2.)

Agency Response: “The State Library’s business operations were transferred to the Department of Administration (DAS) in September of 2011. The State Library will request an amendment to its Memorandum of Understanding with DAS to include monitoring for compliance with the state single audit statutes and state regulations. Additionally, the State Library will assign the staff member that handles the grant paperwork to verify with DAS the grants that need to be monitored”

State Library Board Meetings Attendance

Criteria: Section 11-1 subsection (c) of the General Statutes states that the State Library Board shall meet at least once during each calendar quarter and at such other times that the chairman deems necessary, or upon the request of a majority of members in office. This subsection further states that any appointed member who fails to attend three consecutive meetings or who fails to attend fifty percent of all meetings held during a calendar year shall be deemed to have resigned from office.

- Condition:* A review of the attendance of the twelve-member State Library Board revealed that three members were absent for three consecutive meetings during the audited period.
- Effect:* The State Library Board was not in compliance with Section 11-1 subsection (c) of the General Statutes. For circumstances in which all commission members are not present, there is less assurance that the board's agenda is being carried out with the input from the full complement of its members.
- Cause:* One of the members suffered from a prolonged illness, which accounted for his absences. This member eventually stepped down. Another board member was the Commissioner of Education, or his designee. There had been a designee assigned for this duty; however, that person retired in November 2011 and was not replaced. Other causes were not determined.
- Recommendation:* The State Library Board should monitor for compliance with Section 11-1 subsection (c) of the General Statutes and stress the importance of regular attendance by its members. (See Recommendation 3.)
- Agency Response:* "The State Librarian, as secretary of the Board, will continue to annually provide the Board Chair with a report on attendance by each Board member. The Board Chair will notify appointing authorities when members have missed three consecutive meetings. In the case of the Chief Justice; the Chief Court Administrator; and the Commissioner of Education, the State Librarian notifies them their designees have missed three consecutive meetings. In the absence of a new designee, the State Library considers the Chief Justice; the Chief Court Administrator; and the Commissioner of Education as the official member and notifies them of meetings and provides them with meeting minutes, reports and other correspondence relating to the Board but the State Library does not feel it can compel attendance."

RECOMMENDATIONS

Our prior audit examination resulted in four recommendations, of which three are being repeated in our current audit report. The following is a summary of those recommendations and the action taken by the State Library.

Status of Prior Audit Recommendations:

- **The State Library should improve its internal controls relating to asset management and reporting of assets, as described in the State Property Control Manual and in accordance with Section 4-36 of the General Statutes.** This recommendation has not been implemented; therefore, it will be repeated to reflect current conditions. (See Recommendation 1.)
- **The State Library should monitor for compliance with the state single audit statutes and state regulations relating to those statutes and should review state single audit reports for audit findings and erroneous information.** This recommendation will be repeated to reflect current conditions. (See Recommendation 2.)
- **The State Library should ensure that GAAP Reporting Package information is submitted in accordance with the Office of the State Comptroller's instructions.** This recommendation is not being repeated.
- **The State Library Board should monitor for compliance with Section 11-1 subsection (c) of the General Statutes and stress the importance of regular attendance by its members.** This recommendation is being repeated to reflect current conditions. (See Recommendation 3.)

Current Audit Recommendations:

- 1. The Connecticut State Library should improve its internal controls relating to asset management and reporting of assets, as described in the State Property Control Manual and in accordance with Section 4-36 of the General Statutes.**

Comment:

The State Library did not file CO-59 Reports for the fiscal years ended June 30, 2012 and 2013. Through our physical inspection of the agency's equipment, works of art, and historical treasures, we found discrepancies with information contained in the Core-CT asset management system as well as the agency's internal database. A software inventory list was not maintained.

- 2. The Connecticut State Library should monitor for compliance with the state single audit statutes and state regulations relating to those statutes and should review state single audit reports for audit findings and erroneous information.**

Comment:

One public library selected for review did not have a state single audit completed as required. In addition, monitoring for compliance with state single audit statutes was not performed during the audited period.

- 3. The State Library Board should monitor for compliance with Section 11-1 subsection (c) of the General Statutes and stress the importance of regular attendance by its members.**

Comment:

We found that three of the twelve board members missed three consecutive meetings during the audited period.

CONCLUSION

We wish to express our appreciation for the cooperation and courtesies extended to our representatives by the personnel of the Connecticut State Library during the course of our audit.

Stephanie Novello

Stephanie Novello
Associate Auditor

Approved:



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts