

STATE OF CONNECTICUT



*AUDITORS' REPORT
CONNECTICUT STATE LIBRARY
FISCAL YEARS ENDED JUNE 30, 2014 AND 2015*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

Table of Contents

| | |
|--|----|
| EXECUTIVE SUMMARY | i |
| INTRODUCTION | 1 |
| COMMENTS..... | 2 |
| FOREWORD | 2 |
| Significant Legislation..... | 3 |
| Members of the State Library Board..... | 3 |
| RÉSUMÉ OF OPERATIONS..... | 4 |
| General Fund Cash Receipts and Expenditures..... | 4 |
| Federal and Other Restricted Accounts Fund..... | 5 |
| Capital Equipment Purchase Fund | 6 |
| Grants to Local Governments and Others Fund..... | 6 |
| STATE AUDITORS’ FINDINGS AND RECOMMENDATIONS..... | 7 |
| Grant Maintenance of Efforts Calculations..... | 7 |
| Public Library Construction Grants..... | 8 |
| Purchase Cards’ Transactions Support..... | 9 |
| Museum of Connecticut History’s Accession Efforts..... | 10 |
| Fair Market Value of Museum Acquisitions..... | 11 |
| Historic Documents Preservation Program Revenue Collections..... | 12 |
| Historic Documents Preservation Program Grant | 14 |
| Disposal Records Authorizations | 15 |
| RECOMMENDATIONS..... | 18 |
| Status of Prior Audit Recommendations..... | 18 |
| Current Audit Recommendations..... | 18 |
| ACKNOWLEDGEMENTS | 21 |
| CONCLUSION..... | 22 |

EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes we have audited certain operations of the Connecticut State Library. The objectives of this review were to evaluate the department’s internal controls, compliance with policies and procedures, as well as certain legal provisions, and management practices and operations for the fiscal years ended June 30, 2014 and 2015.

The key findings are presented below:

| | |
|-----------------------|--|
| Page <u>7</u> | The State Library was inconsistent in its method of calculation for maintenance of effort reporting and may not be meeting the applicable federal requirements. The State Library should ensure it complies with federal regulations when calculating and reporting maintenance of effort. (Recommendation 1.) |
| Page <u>8</u> | The State Library did not adequately monitor for non-compliance with the state’s single audit requirements for public library construction grant recipients, nor document its review of recipients’ reports with audit findings. The State Library should ensure it reviews state single audit reports and responds to problems identified in those reports. (Recommendation 2.) |
| Page <u>9</u> | The State Library did not always have adequate supporting documentation for purchasing card expenditures. The library used internally generated documentation, which is not adequate for the accuracy or business purpose of a transaction. The State Library should ensure that adequate documentation exists for all purchases. (Recommendation 3.) |
| Page <u>11</u> | The State Library purchased artifacts for the Museum of Connecticut History at prices that exceeded their fair market value. Purchase prices that exceed fair market value violate State Library Board policy and create an opportunity for misappropriation of assets. The State Library should develop procedures to ensure documentation justifying the amounts paid for artifacts. (Recommendation 5.) |

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT J. KANE

September 4, 2019

AUDITORS' REPORT CONNECTICUT STATE LIBRARY FOR THE FISCAL YEARS ENDED JUNE 30, 2014 and 2015

INTRODUCTION

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, 2014 and 2015. 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 effectiveness, 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 various available sources including, but not limited to, the department's management and the state's information systems, and was not subjected to the procedures applied in our audit of the department.

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 Connecticut State Library and State Library Board operate under the provisions of Title 11 of the Connecticut General Statutes. The State Library Board oversees the activities of the Connecticut State Library and is within the Department of Education for administrative purposes only. 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 the state government and the public.

Pursuant to Section 11-1(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 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 in October 2011.

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

Significant Legislation

Notable legislative changes enacted during the audited period are described below:

- Special Act 15-3, effective June 4, 2015, required the State Library to complete a feasibility study concerning the development of an online searchable database for Connecticut's historic military records. The State Library completed its study and submitted the required report to the General Assembly on February 2, 2016.
- Special Act 15-4, effective June 19, 2015, required the State Library to report on the recommendations from the Advisory Committee for Municipal Records Retention Schedule M10, which established the retention requirements for land use records. The State Library submitted the report on the recommendations from the committee on April 5, 2016.

Members of the State Library Board

Section 11-1(a) of the General Statutes provides that the board shall consist of 12 members. The board members, as of June 30, 2015, were as follows:

John N. Barry, Chairperson
Robert D. Harris
James G. Johnston
Allen Hoffman
Matt Poland
Michael R. Sheldon, designee – Chief Court Administrator
Peter Zarella, designee – Chief Justice of the Supreme Court
Ellen Cohn, designee – Commissioner of the Department of Education
4 Vacancies

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

| | |
|----------------|----------------|
| Linda Anderson | Robert Beach |
| Eileen DeMayo | Ernie DiMattia |
| Joy Hostage | Mollie Keller |
| Stefan Pryor | |

The State Library Board has 2 advisory groups. The Advisory Council for Library Planning and Development, pursuant to Sections 11-1(f) (1) and (f) (2) of the General Statutes, consists of 19 members appointed by the State Library Board. The council advises on library planning and development issues. Section 11-6a(b) of the General Statutes establishes the Museum Advisory Committee, which consists of 8 members. The committee advises the State Library Board regarding 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 from State Library operations totaled \$10,061 and \$6,060 for the fiscal years ended June 30, 2014 and 2015, respectively.

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>2013</u> | <u>2014</u> | <u>2015</u> |
| Budgeted Accounts | | | |
| Personal Services | \$ 5,026,623 | \$ 5,143,238 | \$ 5,289,197 |
| Contractual Services | 3,297,954 | 3,342,241 | 3,190,387 |
| Commodities | 79,285 | 46,404 | 45,698 |
| Sundry Charges | 2,269 | 7,182 | 8,392 |
| Grants-in-aid | 3,766,301 | 3,749,900 | 3,593,223 |
| Equipment | <u>121,726</u> | <u>129,714</u> | <u>78,599</u> |
| Total Expenditures | <u>\$12,294,158</u> | <u>\$12,418,679</u> | <u>\$12,205,496</u> |

Expenditures remained relatively steady during the audited period.

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>Fiscal Year Ended June 30,</u> | | |
|---------------------------------------|-----------------------------------|---------------------------|---------------------------|
| | <u>2013</u> | <u>2014</u> | <u>2015</u> |
| General Fund Budgeted Accounts | | | |
| Cooperating Library Service Units | \$ 332,500 | \$ 332,500 | \$ 315,875 |
| Grants to Public Libraries | 203,569 | 202,365 | 193,391 |
| Connecticard Payments | 1,000,000 | 984,783 | 965,217 |
| Computer Access | 180,480 | 180,500 | 171,475 |
| Connecticut Humanities Council | <u>2,049,752</u> | <u>2,049,752</u> | <u>1,947,265</u> |
| Total State-Aid-Grants | <u>\$3,766,301</u> | <u>\$3,749,900</u> | <u>\$3,593,223</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 – Sections 11-24b(b), (c) and (d) of the General Statutes authorizes 3 types of grants to principal public libraries: base grants, formula based equalization grants, and incentive grants. These grants are made available as funding permits.

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, shall contract for the development of a Connecticut Parent Technology Academy to be the 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 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 2 time-honored traditions in the humanities: reflective reading of literature and exploration of history. The council is supported by state appropriated funds, federal funding and private donations.

Federal and Other Restricted Accounts Fund

A summary of federal and other restricted accounts receipts 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>2013</u> | <u>2014</u> | <u>2015</u> |
| Federal and Other Restricted Accounts | | | |
| Federal Grants | \$2,184,938 | \$2,115,180 | \$2,248,330 |
| Non-Federal Aid | 1,601,653 | 1,133,509 | 838,224 |
| All other | <u>4,997</u> | <u>4,713</u> | <u>4,498</u> |
| Total Receipts | <u>\$3,791,588</u> | <u>\$3,253,402</u> | <u>\$3,091,052</u> |

Federal grant receipts were 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 the Historic Documents Preservation Grant Program. This program was funded from fees collected by towns, submitted to the State Library, which it used for grants to towns for the preservation and management of historic documents.

A summary of federal and other restricted accounts 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>2013</u> | <u>2014</u> | <u>2015</u> |
| Federal and Other Restricted Accounts | | | |
| Restricted Federal Accounts | \$2,157,709 | \$2,175,303 | \$2,240,840 |
| Historic Documents Preservation Account | 1,072,526 | 1,031,530 | 1,236,198 |
| All Other Private Accounts | <u>34,428</u> | <u>81,756</u> | <u>165,076</u> |
| Total Expenditures | <u>\$3,264,663</u> | <u>\$3,288,589</u> | <u>\$3,642,114</u> |

Expenditures in the Federal and Other Restricted Accounts Fund were relatively stable during the audited period. Expenditures primarily consisted of personal services, related fringe benefits, and grant awards for various federal and state programs.

Capital Equipment Purchase Fund

Capital Equipment Purchase Fund expenditures totaled \$67,516 and \$176,301 during the fiscal years ended June 30, 2014 and 2015, 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 \$2,817,363 and \$2,155,450 during the fiscal years ended June 30, 2014 and 2015, respectively. The fluctuation between fiscal years is based on the availability of state and local funds for approved projects.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Grant Maintenance of Efforts Calculations

Criteria: Title 20 United States Code (USC) Section 9133(c) states that the amount otherwise payable to a state for the Library Services and Technology Act (LSTA) grant shall be reduced if the level of state expenditures is less than the average of the total state expenditures for the 3 fiscal years preceding that year. It further states that the calculation must include all amounts expended by the state library administrative agency for library programs, and must not include capital expenditures, special one-time project costs, or similar windfalls.

The State Library must submit its maintenance of effort calculation to its federal entity overseeing the program, the Institute of Museum and Library Services (IMLS).

Condition: We reviewed the State Library's maintenance of effort (MOE) calculations for the LSTA grant, and noted that the State Library did not include all state funds expended for library programs in the 3-year average or the MOE calculation as required by federal regulation. Although all expenses the State Library used in its calculations appear to qualify as program costs, its method of calculation was not consistent from year-to-year. Items included in some years were not included in others.

Effect: The State Library may not be meeting the MOE requirements for fiscal years with declining state funded expenditures for library programs. This may result in future reductions of federal funding.

Cause: The State Library did not understand the MOE calculation requirements of the LSTA grant. As a result, the State Library limited the expenditures included in the calculation.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The Connecticut State Library should modify the methodology it uses to prepare the maintenance of effort calculation for the Library Services and Technology Act Grant to ensure that it complies with applicable federal requirements. The State Library should communicate with the Institute of Museum and Library Services regarding its previously submitted maintenance of effort calculations. (See Recommendation 1.)

Agency Response: “The State Library will share the findings with the IMLS and request guidance on the calculation of MOE in light of the findings as well as determine how the State Library should handle the previously submitted MOE calculations.”

Public Library Construction Grants

Background: The Schedule of Expenditures of State Financial Assistance summarizes expenditures included in a state single audit for state grant costs that an independent public accountant identifies as allowed under the relevant guidelines.

Criteria: Section 4-231(a)(1) of the General Statutes requires non-state entities that expend \$300,000 or more in state financial assistance to have a state single audit performed for that fiscal year.

Section 4-236-29 of the Regulations of Connecticut State Agencies requires grantor state agencies to review the audit reports of grant recipients and to follow up on any audit findings that may include the disallowance of certain costs and recovery of those funds.

A well-designed process should result in all non-state grant recipients having the required state single audit performed and having the grantor agency review the audit for findings and other problems.

Condition: For Public Library Construction Grant recipients paid during the audited period, that exceeded the \$300,000 threshold, we identified a recipient that did not submit the required state single audit.

During our review of available state single audit reports, we found that a fiscal year 2015 report for one grant recipient included a finding concerning an absence of internal controls over financial reporting. For the same audit report, the recipient reported \$1,550,000 in allowed expenditures for fiscal year 2015. In fiscal year 2014 and prior periods, the State Library issued \$1,150,000 in grant payments to the recipient. The State Library did not have documentation that it followed-up on the audit finding.

Effect: The State Library may have made those payments in error or for purposes that were not allowed.

Cause: State Library management indicated that it did not have the fiscal expertise to review state single audit reports and did not understand the significance of information included in the reports.

Prior Audit Finding: This finding has been previously reported in the last audit report covering fiscal years 2011-2012 and 2012-2013.

Recommendation: The Connecticut State Library should obtain sufficient fiscal expertise to review state single audit reports to ensure that it understands and responds to problems identified in grant recipient state single audit reports. (See Recommendation 2.)

Agency Response: “We agree with the merits of the recommendation. The agency has hired a new Fiscal Administrative Manager (FAM) that has some experience in this area. Also, the State Library has received guidance from the Office of Policy and Management (OPM), the cognizant state agency for governmental and nonprofit organizations, and we will use the grantor agency desk review checklist provided to grantor agencies by OPM on an annual basis to use as part of our audit review process to monitor the grants that we have awarded. The State Library's public library construction grants manager will continue to notify grantees of their requirement to have their single state audit submitted through OPM's Electronic Audit Reporting system (EARS). The State Library's Fiscal Administrative Manager will monitor for compliance and will notify the grantee and OPM if the audit has not been submitted by the required deadline.”

Purchasing Card Transaction Support

Criteria: The State’s Purchasing Card Cardholder Work Rules Manual states that cardholders are responsible for maintaining adequate documentation that supports the business purpose of all transactions.

When purchasing card transactions are processed through a third-party vendor that is not the direct seller of a good or the provider of a service, documentation beyond a cashier’s receipt is necessary to support the business purpose and accuracy of such transactions.

Condition: We reviewed 10 selected purchasing card transactions and identified 3 transactions with inadequate supporting documentation. For these transactions, there was no vendor invoice detailing the items purchased and the amounts paid. The State Library could not provide supporting documentation for one transaction.

Effect: Purchasing card transactions that are not supported by adequate documentation create an opportunity for misappropriation of state assets.

- Cause:* The State Library’s internal controls did not require adequate documentation to support the business purpose and accuracy of purchasing card transactions.
- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* The State Library should modify its state purchasing card review process to ensure that adequate documentation exists to support the business purpose and accuracy of purchase transactions. (See Recommendation 3.)
- Agency Response:* “The State Library acknowledges the importance of having adequate documentation to support the business purpose and accuracy of purchase transactions and will implement procedures to ensure that such documentation exists for all purchase transactions per the recommendation”

Museum of Connecticut History’s Accession Efforts

- Background:* Unlike other state assets, the State Library does not maintain the permanent collection of the Museum of Connecticut History in Core-CT and does not include the permanent collection as a part of its annual inventory. The State Library utilizes a commercial software application designed specifically for museums to account for the museum’s permanent collection.
- Criteria:* Accessioning is the process of systematically creating a permanent record of an artifact received from one source for which the museum has custody, right, or title, and assigning the artifact a unique control number. Electronic accession records allow for a readily available inventory of the permanent collection, as well as accountability for artifact acquisitions.
- Condition:* We selected 10 museum purchase transactions that included 52 items ranging in value from \$15 to \$4,500. We reviewed these transactions and found that for 27 items, the accessioning process was either incomplete or inaccurate. For one item, the State Library did not create its record in the database until after auditors requested to inspect the item.
- Context:* During fiscal years 2013-2014 and 2014-2015, the Museum of Connecticut History accessioned 223 and 400 items respectively.

- Effect:* Without a reliable electronic record of the permanent collection, an inventory is not readily available and the museum is not able to provide assurance that it appropriately accessioned all artifact acquisitions into the collection.
- Cause:* The State Library did not have controls in place to verify the accuracy and completeness of information entered into the permanent database for new acquisitions.
- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* The State Library should review its internal controls to ensure that artifacts are accurately and fully accessioned into its permanent database after acquisition. (See Recommendation 4.)
- Agency Response:* “The State Library will review its internal controls. The State Library has been unsuccessful in its efforts over the years to secure funding for a Registrar of Collections. Without such a position, the responsibility for carrying out the registration process falls on the Administrator of the Museum and the Museum Curator. With the volume of acquisitions and the limited staffing for the artifact registration process, clerical errors can occur, but the State Library will review its artifact registration process to ensure accuracy in acquisition records and explore options for funding a Registrar of Collections.”

Fair Market Value of Museum Acquisitions

- Criteria:* The State Library Board’s Collections Management Policy provides that before the museum acquires an object, the owner must convey clear title to the object, the purchase price will be at fair market value, and the museum must be in a position to care properly for the object. This policy also requires the museum purchasing staff to obtain a receipt documenting the transaction and the museum’s title to the object.
- The State Library is responsible to design and implement internal controls that ensure compliance with the requirements of the Collections Management Policy.
- Condition:* During fiscal years 2013-2014 through 2015-2016, the State Library acquired \$307,097 in artifacts for the museum. For \$163,974 of those acquisitions, the State Library only supported the purchase price with handwritten invoices by its staff and purchasing card cashier receipts.

We reviewed fair market values of each artifact at the time of acquisition using online auctions and the relevant pricing guides for similar items. We found that for 6 of the 18 items, it appears the State Library acquisition price significantly exceeded the researched amounts. The library did not have adequate documentation to support the reasons it paid these higher amounts.

The State Library acknowledged that it paid a premium for some of the artifacts examined by the auditors and contested the fair market value estimates of others.

Effect: The State Library’s artifact acquisition process did not comply with the Collections Management Policy. This created opportunities for the misappropriation of state assets.

Cause: To expand the museum’s permanent collection, the State Library must frequently enter into transactions with private individuals. The State Library does not have controls over these transactions that are sufficient to ensure compliance with the Collections Management Policy.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The State Library should develop additional controls for purchases from private individuals that ensure compliance with the Collections Management Policy. Such controls should include third-party valuations of artifacts above a certain dollar threshold or verifiable documentation prepared by a private seller. (See Recommendation 5.)

Agency Response: “Since there are always opportunities to improve internal controls, we will review our internal controls for purchases from private individuals. Rarity, condition and importance to the collection may result in a premium being paid to ensure that historically significant artifacts are added to the Museum collection. In such cases the Agency will establish a procedure to indicate these circumstances on the acquisition record. Additionally the State Library will evaluate other controls for purchases from individuals and determine a dollar threshold for when such controls should be used.”

Historic Documents Preservation Program Revenue Collections

Background: A memorandum of understanding (MOU) between the State Library and the Department of Administrative Services (DAS) delineates responsibilities for recording revenue transactions. DAS currently reconciles remittances from municipalities to records that disclose land

recordings and calculates the remittance due to the historic documents preservation account. The MOU states that the State Library retains the responsibility to provide DAS with accurate and timely information, records, and data for DAS to perform its business office function.

Criteria: Municipalities in the state have an obligation under Section 7-34a(d) to charge a document recording fee of \$10 when an entry is made in its land records and remit two-fifths of this fee to the State Library for deposit into the historic documents preservation account.

The State Library is responsible for ensuring that it collects all of the fee revenue owed under this statute.

Condition: The State Library did not verify that municipalities accurately reported all of their land recordings that would result in a fee collection. It also did not ensure that municipalities remitted all of the fees they owed to the historic documents preservation account.

Effect: The State Library was unable to establish that municipalities remitted all revenue owed to the historic documents preservation account for the audited period.

Cause: The State Library did not establish internal controls that verified the recording information submitted to DAS was accurate and complete. Such information is necessary to ensure that the historic documents preservation account collects all revenue owed by municipalities.

Prior Audit Finding: This finding has not been previously reported

Recommendation: The State Library should establish internal controls, on its own or in conjunction with other state agencies that rely on similar information, which ensure municipalities report and remit all land recording fees. The State Library should collect all revenue owed to the historic documentation preservation account. (See Recommendation 6.)

Agency Response: “The State Library acknowledges the importance of internal controls, but disagrees with the findings. The State Library is not the only agency that receives funding through a fee on land recordings. Additionally some of the land recording fee also goes into the general fund. We feel that this is a larger question that should be addressed by the Office of the Comptroller or the State Treasurer who have greater expertise in this area than the staff of the State Library.”

Auditors’ Concluding Comments: We agree with the State Library that other agencies could or should be involved in a larger effort to ensure the accuracy of land recording

information. Several agencies utilizing the same verified information would improve the reliability of land recording information and eliminate redundant internal controls. However, if the State Library does not develop internal controls in conjunction with these other agencies, good internal controls at another agency will not provide assurance that the State Library is collecting all revenue owed to the historic document preservation account.

Historic Documents Preservation Program Grant

Criteria: The Public Records Administrator is responsible for establishing and administering the Historic Documents Preservation Program grant to help municipalities enhance or improve the preservation and management of historic documents. Under Section 11-8k(b) of the General Statutes, the Public Records Administrator is authorized to require repayment if it finds that grant funds were not used as intended or were used to supplant a previous source of funds.

Sound business practices would suggest that State Library staff review reasonable evidence, such as vendor invoices, payroll records, or available state single audits, in order to ensure that recipients used funds as intended and did not supplant a previous source of funds.

Condition: We reviewed a selection of 10 historic document preservation program grants and found that for 6 of the grants, the State Library relied on the recipient's certification that it used the funds in compliance with the grant agreement.

Context: Individual grants ranged from \$4,000 to \$10,500 and totaled approximately \$1.6 million for the audited period. Since the inception of the grant program, the State Library has awarded approximately \$16 million for these grants.

Effect: Without adequate controls, the Public Records Administrator may not detect if grant recipients used grant funds for purposes other than those allowed or expended funds outside of the period allowed in the grant agreement.

Cause: The Historic Document Preservation Program guidelines prepared by the Public Records Administrator did not require grant recipients to support project expenditures with more than a final expenditure report. The State Library believes that the effort to collect and review the support for project expenditures exceeds the risk of non-compliance by individual grant recipients.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The State Library should quantify the risk of non-compliance by Historic Document Preservation Program grant recipients and develop internal controls to mitigate the quantified risk. Those controls may include reviews of all expenditure-related documentation, expenditure documentation for a random selection of grant recipients, or submitted state single audits if the risk is determined to be sufficiently low. (See Recommendation 7.)

Agency Response: “We do not agree with the finding. We do not have the staff to undertake the task of quantifying the risk of non-compliance by grant recipients. The grantees are subject to audit specified in Item 9 of the Grant Contract. The Connecticut State Single Audit Compliance Supplement issued by the Office of Policy and Management provides compliance requirements and suggested audit procedures for the single state audit specific to the Historic Document Preservation Grants. Further, the State Library is not aware of any other grant programs that require the submission of vendor or payroll documents with the grant final report.

However, to ensure that towns are fully aware of the requirement to maintain fiscal documentation for the grant in their own records, we will add a statement regarding this requirement to all future editions of the Guidelines. The agency's review of the state single audits will also include the Historic Documents Preservation grants.”

Auditors' Concluding Comments:

Because these grants range from \$4,000 to \$10,500, auditors are unlikely to examine the grant expenditures as a part of the State Single Audit. For the 4 grant recipients in the sample that provided evidence, we found the review for each report took only a minimal amount of time. The State Library could perform a similar review for a selection of grant recipients if the grant recipients submitted supporting documentation with the final expenditure report.

Disposal Records Authorizations

Criteria: The State Library is responsible for approving state agency and municipal disposal requests for books, records, papers, and documents that are determined to have no administrative, fiscal, legal, and

historical value in accordance with Section 11-8a of the General Statutes.

The State Library publishes records retention schedules for state agencies and municipalities that outline the criteria necessary to establish that books, records, papers, and documents no longer have administrative, fiscal, or legal value.

Record retention schedules define the minimum required retention period for a particular document. These minimum retention periods are primarily defined using fixed time periods represented in number of days, months, or years. For several document types, the record retention schedules contain contingent criteria that can extend the required retention period beyond the number of days, months, or years listed in the schedule. The State Library must consider relevant contingent criteria in order to determine if a document type has met the minimum required retention period.

Condition: The State Library's review process does not ensure that disposal request approvals are supported with the evidence necessary to verify compliance with the published records retention schedules. Our review identified that 5 of 20 disposal requests did not have sufficient documentation to support the disposal authorization because the State Library did not consider contingent criteria listed in the record retention schedule.

Our office found that the State Library did not approve 15 of the 20 selected disposal requests in a timely manner, ranging from 26 to 127 days.

Effect: The State Library's records disposal approval process does not comply with the requirement of Section 11-8a(c) that the State Library determine that documents are of no administrative, fiscal, legal, or historical value.

Cause: The State Library's authorization for record disposition relied upon the certification by the submitting municipality or state agency that the records they intended to destroy met the requirements in the relevant records retention schedule. The reliance upon the certification and delays in record disposition review may be due, in part, to the reduction in staff in the Office of the Public Records Administrator.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The State Library should modify its records disposal authorization process to ensure that the destruction of records fully complies with established record retention schedules. (See Recommendation 8.)

Agency Response: “We disagree with this finding. The 5 disposal requests in question had all been properly signed off on. Given the very limited resources of the Office of the Public Records Administrator (OPRA) the State Library feels that the current system is adequate to prevent approval of destruction requests that are not in compliance with the retention schedules.

There are 4 signatures required on the state agency RC-108 form. A signature indicates that an individual is in agreement with our certification statement. The statement reads: 'I certify that the records have met the minimum retention requirements as indicated on approved records retention schedules issued by the Office of the Public Records Administrator. No records listed, in my opinion, pertain to any pending case, claim, or action. If applicable, all relevant audit reports have been issued.'

There are 4 signatures required on the municipal form RC-075. If educational records are requested to be disposed of an additional signature is required by the Superintendent of Schools. However, the municipal certification does not have the following statement, but we will be adding the statement to our next revision of the form: 'If applicable, all relevant audit reports have been issued.'”

*Auditors' Concluding
Comments:*

Of the 4 referenced signatures on submitted documentation, 2 are from the submitting agency or municipality, and 2 are from OPRA employees. As stated in the finding, OPRA employees rely upon the certification by the submitting agency or municipality without review beyond the consideration of time. Given that submitting entities made errors when considering simpler criteria such as time, it is possible that they also made errors when considering more onerous criteria, such as agreement-specific holding periods that exist for certain documentation. Agency or municipality signatures should not be the basis for approving record destruction when additional criteria is included in the published record retention schedule.

RECOMMENDATIONS

Our prior audit report on the Connecticut State Library contained 3 recommendations. Two have been implemented or otherwise resolved and 1 has been repeated with modifications during the current audit. The following is a summary of the action taken on the prior recommendations.

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. **The State Library implemented the audit recommendation after the current audited period, with changes in the design of controls over asset management and reporting of assets. This recommendation will not be repeated.**
- 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 was not implemented and is being repeated in modified form. (See Recommendation 2.)**
- The State Library Board should monitor for compliance with Section 11-1(c) of the General Statutes and stress the importance of regular attendance by its members. **This recommendation was implemented and will not be repeated.**

Current Audit Recommendations

1. **The Connecticut State Library should modify the methodology used to prepare the maintenance of effort calculation for the Library Services and Technology Act Grant to ensure that it complies with applicable federal requirements. The State Library should communicate with the Institute of Museum and Library Services regarding its previously submitted maintenance of effort calculations.**

Comment:

The State Library has not prepared the maintenance of effort calculation in compliance with federal regulations, which could result in the state failing to meet its MOE obligation.

2. **The Connecticut State Library should obtain sufficient fiscal expertise to review state single audit reports to ensure that it understands and responds to problems identified in grant recipient state single audit reports.**

Comment:

We reviewed single audit reports of Public Library Construction grant recipients and found that one recipient did not have a state single audit performed and one recipient had an internal control finding over financial reporting. The State Library did not identify either of these conditions.

- 3. The State Library should modify its state purchasing card review process to ensure that adequate documentation exists to support the business purpose and accuracy of purchase transactions.**

Comment:

We reviewed purchasing card (p-card) transactions and identified several transactions that the State Library did not support with adequate documentation. In one instance, we could not find transaction support in the State Library records.

- 4. The State Library should review its internal controls to ensure that artifacts are accurately and fully accessioned into its permanent database after acquisition.**

Comment:

We reviewed 52 items purchased by the museum and found that the accession record in the database was not accurate or complete for 28 of the items.

- 5. The State Library should develop additional controls for purchases from private individuals that ensure compliance with the Collections Management Policy. Such controls should include third party valuations of artifacts above a certain dollar threshold or verifiable documentation prepared by a private seller.**

Comment:

A review of artifacts acquired for the Museum of CT History disclosed that the support for the purchases often did not explain the justification for the amount paid. A review of 18 artifacts noted 6 instances in which the acquisition price of artifacts appeared to exceed the fair market value of similar artifacts based on online auctions and relevant pricing guides.

- 6. The State Library should establish internal controls, on its own or in conjunction with other state agencies that rely on similar information, which ensure municipalities report and remit all land recording fees. The State Library should collect all revenue owed to the historic documentation preservation account.**

Comment:

Our review of the revenue collection process identified that the State Library does not substantiate information submitted to DAS to support the remittances for the historic documentation preservation account.

- 7. The State Library should quantify the risk of non-compliance by Historic Document Preservation Program grant recipients and develop internal controls to mitigate the quantified risk. Those controls may include reviews of all expenditure-related documentation, expenditure documentation for a random selection of grant recipients, or submitted state single audits if the risk is determined to be sufficiently low.**

Comment:

Historic Documents Preservation Program grant guidelines do not require recipients to submit sufficient supporting documentation with the final expenditure report to detect noncompliance with the grant agreement.

- 8. The State Library should modify its records disposal authorization process to ensure that the destruction of records fully complies with established record retention schedules.**

Comment:

A review of the State Library's records disposal processes disclosed instances of disposals that were not adequately supported.

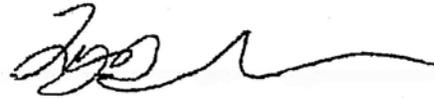
ACKNOWLEDGEMENTS

The Auditors of Public Accounts would like to recognize the auditors who contributed to this report:

Logan Johnson
Edna Maldonado
David Tarallo

CONCLUSION

In conclusion, we wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Connecticut State Library during the course of our examination.



Logan R. Johnson
Associate Auditor

Approved:



John C. Geragosian
State Auditor



Robert J. Kane
State Auditor