

STATE OF CONNECTICUT



*AUDITORS' REPORT
CONNECTICUT STATE LIBRARY
FISCAL YEARS ENDED JUNE 30, 2016, 2017 AND 2018*

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

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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, 2016, 2017 and 2018.

The key findings and recommendations are presented below:

Page <u>7</u>	The State Library did not include all state funds expended for library programs in the 3-year average or the MOE calculation required by federal regulation, and its method of calculation was not consistent from year-to-year. The Connecticut State Library should ensure it complies with federal regulations when calculating and reporting maintenance of effort for the Library Services and Technology Act grant. The State Library should communicate with the Institute of Museum and Library Services regarding its previously submitted maintenance of effort calculations. (Recommendation 1.)
Page <u>8</u>	The State Library did not review, nor did it have procedures in place to review state single audit reports. The Connecticut State Library should review grant recipient state single audit reports to ensure that it understands and responds to problems identified in those reports. (Recommendation 2.)
Page <u>9</u>	The State Library relied on the grant recipient’s certification to confirm that it spent the grant funds in compliance with the grant agreement. The State Library should implement procedures to ensure that grant recipients properly spent Historic Document Preservation Grant funds. (Recommendation 3.)
Page <u>10</u>	The State Library did not prepare and submit two statutorily required reports to the Governor and the Joint Committee of the General Assembly. The Connecticut State Library should comply with all statutory reporting requirements. (Recommendation 4.)

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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JOHN C. GERAGOSIAN

ROBERT J. KANE

December 5, 2019

AUDITORS' REPORT

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, 2016, 2017 and 2018. 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 policies and procedures or 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. A separate financial audit is completed for the foundation.

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:

- Public Act 17-2, of the June 2017 Special Session of the General Assembly, effective December 1, 2017, changed the fee town clerks receive for documents recorded in the land records of municipalities and the portion of the fee that must be remitted to the

State Library for the historic documents preservation account. This act also added a stipulation that a portion of this fee be deposited into the General Fund.

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, 2018, were as follows:

John N. Barry, Chairperson
Robert D. Harris
James G. Johnston
Allen Hoffman
Matthew Poland
Alison Clemens
Sandra Ruoff
Mary Etter
Michael R. Sheldon, – Judge of the Appellate Court
Andrew J. McDonald, – Associate Justice of the Supreme Court
Diane Wentzell, – Commissioner of the Department of Education
1 Vacancy

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

Ellen Cohn
Justice Peter Zarella

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 \$5,132, \$684, and \$1,497 for the fiscal years ended June 30, 2016, 2017, and 2018, respectively.

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

	<u>Fiscal Year Ended June 30,</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
Personal Services	\$ 5,413,561	\$ 5,188,671	\$ 4,972,136
Employee Expenses & Allowances	6,912	3,950	3,591
Purchased & Contracted Services	2,452,544	2,146,185	2,263,276
Motor Vehicle Costs	4,847	2,197	420
Premises & Property Expenses	303,750	172,075	170,892
Information Technology	106,200	314,309	67,673
Purchased Commodities	30,055	21,023	21,897
Grants-in-aid	3,117,546	920,045	866,158
Capital Outlay	84,226	28,235	33,239
Total Expenditures	\$ 11,519,641	\$ 8,796,690	\$ 8,399,282

Personal services decreased during the audited period as a result of reductions in staff. Grants-in-aid were significantly reduced due to budget reductions. The remaining 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>2016</u>	<u>2017</u>	<u>2018</u>
Cooperating Library Service Units	\$ 185,844	\$ 138,225	\$ 160,946
Grants to Public Libraries	179,396	-	-
Connecticard Payments	837,540	781,820	703,638
Computer Access	152,637	-	-
Connecticut Humanities Council	1,762,129	-	-
Other	-	-	1,574
Total Expenditures	\$ 3,117,546	\$ 920,045	\$ 866,158

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 is presented below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
Federal Grants	\$ 2,275,249	\$ 2,031,492	\$ 1,865,992
Non-Federal Aid	875,341	981,684	1,536,781
Other	7,961	15,384	32,473
Total Receipts	\$ 3,158,551	\$ 3,028,560	\$ 3,435,246

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 is 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 is presented below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
Restricted Federal Accounts	\$ 2,073,844	\$ 2,063,172	\$ 2,031,870
Historic Documents Preservation Account	803,988	998,920	999,683
All Other Private Accounts	155,493	262,201	265,708
Total Expenditures	\$ 3,033,325	\$ 3,324,293	\$ 3,297,261

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 and Capital Projects

Capital Equipment Purchase expenditures totaled \$317,849, \$257,013 and \$185,967 during the fiscal years ended June 30, 2016, 2017 and 2018, respectively. Capital project expenditures totaled \$75,000, \$481,360, and \$464,799 during the fiscal years ended June 30, 2016, 2017 and 2018, respectively. These purchases were primarily made for books, subscriptions, computers, and data processing equipment.

Other Expenditures

Grants to Local Governments and Others Fund and the Community Conservation and Development Fund expenditures were primarily for grants for public library construction, improvements, and other related projects. Expenditures totaled \$769,928, \$4,462,373 and \$719,529 during the fiscal years ended June 30, 2016, 2017 and 2018, respectively. The increase in fiscal year 2017 was due to new library construction projects and is based on the availability of state and local funds for approved projects.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Connecticut State Library disclosed the following 4 findings and recommendations, 3 of which have been repeated from the previous audit:

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 the federal entity overseeing the program, the Institute of Museum and Library Services (IMLS).

Condition: During our review of the State Library's maintenance of effort (MOE) calculations for the LSTA grant, we noted that the State Library did not include all state funds expended for library programs in the 3-year average or the MOE calculation required by federal regulation. Although all expenses the State Library used in its calculations appear to qualify as program costs, the library's 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 been previously reported in the last audit report covering the fiscal years ended 2014 to 2015.

Recommendation: The Connecticut State Library should ensure it complies with applicable federal regulations when calculating and reporting maintenance of effort for the Library Services and Technology Act grant. 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 would first like it noted that the findings of the previous audit had not been reported at the time of the current audit and therefore it had no official findings to share with the Institute of Museum and Library Services (IMLS). Previous site visits by the Institute of Museum Services had not raised any concerns about how the agency calculated its MOE, however, the State Library will share the findings of both audits with the IMLS and request guidance in light of the findings.”

Public Library Construction Grants

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 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.

Condition: Our review of 10 state single audit reports for recipients of Public Library Construction Grants found that 3 reports contained audit findings. The State Library did not review, nor did it have procedures in place to review state single audit reports.

Context: Public Library Construction Grants paid during the fiscal years 2015-2016, 2016-2017 and 2017-2018, totaled \$4,965,660.

Effect: The State Library is not monitoring grant recipients in accordance with state regulations.

Cause: The State Library did not have staff with the required experience to review single audit reports.

Prior Audit Finding: This finding has been previously reported in the last 2 audit reports covering the fiscal years ended 2012 to 2015.

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

Agency Response: “The State Library 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. However, since the State Library is rarely the only source of state funding and when there is not a specific finding relating to the State Library grant, the State Library will seek guidance from OPM as to how we should be following up with the grantee.”

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 audit reports, in order to ensure that recipients used funds as intended and did not supplant a previous source of funds.

Condition: Our review of 10 Historic Document Preservation Program grants totaling \$60,500 noted that, for 8 grants, the library relied on the grant recipient’s certification to confirm that it spent the grant funds in compliance with the grant agreement.

Context: The State Library paid a total of \$1,854,500 in Historic Document Preservation Program grants during fiscal years 2016, 2017, and 2018.

Effect: Without reviewing reasonable evidence such as vendor invoices or payroll records, the State Library cannot verify the amount actually spent by the grant recipients, whether the funds were used for the purposes allowed in the grant, or whether the funds were spent within the grant period in the contract.

- Cause:* The Public Records Administrator’s Historic Document Preservation Program guidelines only require grant recipients to validate project expenditures with a final expenditure report. The State Library believes that the effort to collect and review the supporting documentation for project expenditures exceeds the risk of non-compliance by individual grant recipients.
- Prior Audit Finding:* This finding has been previously reported in the last audit report covering the fiscal years ended 2014 to 2015.
- Recommendation:* The Connecticut State Library should implement procedures to ensure that grant recipients properly spent Historic Documents Preservation Grant funds. (See Recommendation 3.)
- Agency Response:* “The State Library agrees with the need to ensure that Historic Documents Preservation grant funds are properly spent. Accordingly, to ensure that municipalities are fully aware of the requirement to maintain fiscal documentation for the grant in their own records, we have added the following statement to the grant guidelines - 'Financial and other supporting documentation must be maintained by the municipality as part of the grant file in accordance with the municipal records retention schedules.' We will also make it clear to grantees that in accordance with the grant contract they are subject to audit. The agency's review of the single state audits will also include the Historic Documents Preservation grants.”

Annual Reporting Requirements

- Criteria:* Sections 11-8k(c) and 11-8m(b) of the Connecticut General Statutes, requires the Connecticut State Library to prepare and submit annual reports on the activities of the Historic Documents Preservation Fund to the Governor and the joint standing committee of the General Assembly having cognizance of matters relating to government administration. These reports are intended to provide a list of grant recipients and details on how grants were spent.
- Condition:* The Connecticut State Library did not prepare 2 of the 9 reports required by statute. These reports were 5 and 9 months past due as of the date of our review.
- Effect:* The Connecticut State Library did not comply with the reporting requirements established by the Connecticut General Statutes. This resulted in the Governor and the General Assembly not receiving complete information to make informed policy decisions.

Cause: The State Library informed us that staffing shortages caused delays in meeting reporting requirements.

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

Recommendation: The Connecticut State Library should comply with all statutory reporting requirements. (See Recommendation 4.)

Agency Response: “The State Library acknowledges that due to reductions in staffing it has fallen behind with these reports. The 2018 reports will be submitted in September and the 2019 reports will be submitted on time.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report on the Connecticut State Library contained 8 recommendations. Five have been implemented or otherwise resolved and 3 have been repeated or restated with modifications during the current audit.

- 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. **This recommendation is being repeated. (See Recommendation 1.)**
- 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. **This recommendation is being repeated. (See Recommendation 2.)**
- 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. **This recommendation has been resolved.**
- The State Library should review its internal controls to ensure that artifacts are accurately and fully accessioned into its permanent database after acquisition. **This recommendation has been resolved.**
- 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. **This recommendation has been resolved.**
- 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. **This recommendation has been resolved.**
- 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. **This recommendation is being repeated. (See Recommendation 3.)**

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

Current Audit Recommendations:

- 1. The Connecticut State Library should ensure that it complies with applicable federal regulations when calculating and reporting maintenance of effort for the Library Services and Technology Act grant. The State Library should communicate with the Institute of Museum and Library Services regarding its previously submitted maintenance of effort calculations.**

Comment:

The Connecticut State Library did not include all state funds expended for library programs in its calculation of maintenance of effort and the library's method of calculation was not consistent from year-to-year.

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

Comment:

Our review of state single audit reports for recipients of Public Library Construction Grants found that 3 reports contained audit findings. The State Library did not review, nor did it have procedures in place to review state single audit reports.

- 3. The Connecticut State Library should implement procedures to ensure that grant recipients spent Historic Documents Preservation Grant funds.**

Comment:

Our review of 10 Historic Document Preservation Program grants totaling \$60,500 noted that, for 8 grants, the library relied on the grant recipient's certification to confirm that it spent the grant funds in compliance with the grant agreement.

- 4. The Connecticut State Library should comply with all statutory reporting requirements.**

Comment:

The Connecticut State Library did not prepare 2 of the 9 reports required by statute. These reports were 5 and 9 months past due as of the date of our review.

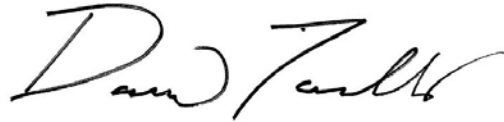
ACKNOWLEDGMENTS

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

David Tarallo
Taulant Baci

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.



David Tarallo
Principal Auditor

Approved:



John C. Geragosian
State Auditor



Robert J. Kane
State Auditor