

LIBRARY OF VIRGINIA

**REPORT ON AUDIT
FOR THE PERIOD
JULY 1, 2008 THROUGH JUNE 30, 2010**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Library of Virginia for the period July 1, 2008, through June 30, 2010, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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AGENCY HIGHLIGHTS

The Library of Virginia provides reference and research assistance to other state agencies, members of the General Assembly, public libraries, and the general public, and houses the archival records of the Commonwealth of Virginia. The Library provides assistance to state agencies and public libraries to maintain libraries, collections and educational services, preserve publications, and update record management. In fiscal years 2009 and 2010, the Library distributed a combined \$36.4 million in state aid to public library systems.

The Library also operates the State Records Center, which houses the archives annex, reading room, media vault, and Imaging Services Department. The State Records Center maintains inactive and permanent records, as well as security microfilm copies of state and local government records. The Library administers the following three programs to provide these services.

- *Archives Management Program* provides a central reference library, a repository for all state publications, and the archives of the Commonwealth, as well as manages the Virginia Heritage Resource Center.
- *Financial Assistance for Cultural and Artistic Affairs Program* provides management guidance, fiscal oversight, staff development, and other consulting services to more than 90 public library systems.
- *Statewide Library Services Program* provides advisory assistance to public libraries within the Commonwealth and provides public access to more than 19.2 million materials ranging from books to posters and paintings.

In addition, the Library administers an Administrative and Support Services Program that includes the Library's accounting, budgeting and financial reporting, human resources, photographic and digital imaging, information technology, facilities management, housekeeping and a public information office.

The table below shows the fiscal year 2010 and 2009 original and amended budgets and actual expenses for the Library's three funding sources. General funds consist of normal operating expenses. Special Revenue funds come from the storage fees charged to agencies and courts for documents and records, and from local circuit court records' preservation fees. These funds support the Library's programs and operations, and provide grants to local circuit courts for record preservation projects.

Analysis of Original and Final Budgets to Actual Expenses
(Fiscal Years 2010 and 2009)

<u>Funds</u>	<u>Fiscal 2010</u>			<u>Fiscal 2009</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>
General	\$30,409,896	\$27,093,122	\$27,093,122	\$30,894,030	\$30,317,443	\$30,317,443
Special revenue	5,037,441	7,963,215	6,197,267	5,037,441	7,008,441	6,164,092
Dedicated Special Revenue	-	899,418	374,165	-	652,155	647,150
Federal trust	<u>5,237,340</u>	<u>5,237,340</u>	<u>3,614,226</u>	<u>5,237,340</u>	<u>5,237,340</u>	<u>3,913,718</u>
	<u>\$40,684,677</u>	<u>\$41,193,095</u>	<u>\$37,278,780</u>	<u>\$41,168,811</u>	<u>\$43,215,379</u>	<u>\$41,042,403</u>

Source: Commonwealth Accounting and Reporting System, Chapters 879 and 781 of the Appropriation Act

The final general fund budget in fiscal 2010 is approximately \$3.3 million or 11 percent less than the original budget resulting from agency's budget reductions in response to the Commonwealth's overall budgetary reductions. The Library accomplished the reductions by taking the following actions.

- Found non-general funding resources for over \$1 million of previously funded general fund costs
- Reduced discretionary spending \$900,000
- Reduced aid to public libraries \$868,000
- Implemented personnel reductions of \$440,000

These four actions above account for the majority of the general fund reduction. The final Special Revenue figure in fiscal 2010 increased by \$955,000 over the fiscal 2009 final amount, due to the unexpended cash balance from fiscal 2009 being appropriated in fiscal 2010.

Dedicated special revenue consists of about \$900,000 in grants that the Library received through the Bill & Melinda Gates Foundation. The Foundation is funding improvements to broadband connectivity in Virginia's public libraries. The Library also administered two federal programs during fiscal 2009 and 2010. The federal Institute of Museum and Library Services provided the Library with approximately 94 percent of its federal funds. The Library can use these funds in a variety of ways to promote access to learning and information resources.

The table below summarizes the Library's expenses by major type for fiscal years 2010 and 2009. Approximately 46 percent of the Library's expenses each year are transfer payments to local governments. Payroll accounts for another 30 percent of the Library's expenses. Most of the remaining expenses are for contractual services and continuous charges. These expenses consist of payments to the Virginia Information Technologies Agency for computer equipment and services, charges for research and reference services, records management, building maintenance, and utilities.

Analysis of Actual Expenses by Type
(Fiscal Years 2010 and 2009)

Type of Expense	2010	2009
Aid to Local Governments	\$ 17,225,614	\$ 19,204,589
Payroll	10,983,932	12,021,172
Contractual Services	5,451,419	6,057,312
Continuous Charges	2,711,839	2,755,684
Equipment	623,572	517,679
Supplies and Materials	282,404	485,967
Total	\$ 37,278,780	\$ 41,042,403

Source: Commonwealth Accounting and Reporting System



Commonwealth of Virginia

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

Walter J. Kucharski, Auditor

March 11, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable M. Kirkland Cox, Jr.
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Library of Virginia** for the years ended June 30, 2009, and June 30, 2010. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the 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 a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System, review the adequacy of the Library's internal controls; and test compliance with applicable laws and regulations.

Audit Scope and Methodology

The Library's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

- Revenues
- State aid payments
- Payroll
- Small purchase charge card
- Information security program

We performed audit tests to determine whether the Library's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection

of documents, records, and contracts, and observation of the Library's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that the Library properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System for the cycles listed in the scope section of this report. The Library records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Exit Conference and Report Distribution

We discussed this report with management on March 18, 2011.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

CBB/alh

THE LIBRARY OF VIRGINIA

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Librarian of Virginia

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