

LIBRARY OF VIRGINIA

**REPORT ON AUDIT
FOR THE YEARS ENDED
JUNE 30, 2011 AND JUNE 30, 2012**



AUDIT SUMMARY

Our audit of the Library of Virginia for the period July 1, 2010, through June 30, 2012, 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 FINANCIAL INFORMATION

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 2011 and 2012, the Library distributed a combined \$28.7 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, as well as an administrative program.

- *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.

The Library's primary funding source is General Fund appropriations, but they also collect some special revenue funds and federal grants. The 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. Expenses from these funds have been less than anticipated as the agency has made efforts to conserve these funds to offset any future budget reductions. The table below shows the original and final budgets and actual expenses by fund for each year.

Budget and Actual Expenses by Fund Fiscal Years 2011 and 2012

	2011			2012		
	Original Budget	Final Budget	Actual Expenses	Original Budget	Final Budget	Actual Expenses
General Fund	\$26,806,628	\$26,924,610	\$26,923,829	\$26,129,300	\$25,723,804	\$25,722,978
Special Revenue Fund	5,223,535	5,223,535	3,457,114	5,253,798	5,239,805	2,835,007
Dedicated Special Revenue	-	535,239	237,122	-	304,975	78,975
Federal Fund	<u>5,237,340</u>	<u>5,237,340</u>	<u>3,321,781</u>	<u>5,237,340</u>	<u>5,542,411</u>	<u>4,508,488</u>
Total	<u>\$37,267,503</u>	<u>\$37,920,724</u>	<u>\$33,939,846</u>	<u>\$36,620,438</u>	<u>\$36,810,995</u>	<u>\$33,145,448</u>

The majority of the Library's expenses represent transfer payments to local government for state library aid. The Library has approximately 160 employees, therefore payroll costs are also a significant

expense. 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. The following table summarizes the Library's expenses by type for fiscal years 2011 and 2012.

**Analysis of Actual Expenses by Type
Fiscal Years 2011 and 2012**

<u>Type of Expense</u>	<u>2011</u>	<u>2012</u>
Aid to local governments	\$ 14,437,943	\$ 14,916,961
Payroll	10,050,812	9,349,801
Contractual services	4,700,652	4,746,467
Continuous charges	2,896,312	3,024,330
Equipment	1,488,593	752,464
Supplies and materials	<u>365,534</u>	<u>355,425</u>
Total	<u>\$ 33,939,846</u>	<u>\$ 33,145,448</u>



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
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April 26, 2013

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable John M. O'Bannon, III
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, 2011, and June 30, 2012. 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, regulations, contracts, and grant agreements.

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, regulations, contracts, and grant agreements.

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.

- 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, regulations, contracts, and grant agreements. 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. 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 May 15, 2013.

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

LCW/clj

THE LIBRARY OF VIRGINIA

Sandra Treadway
Librarian of Virginia

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