



INSTITUTE *of*  
**Museum** *and* **Library**  
SERVICES

# **Performance and Accountability Report**

**Fiscal Year 2008**

**November 17, 2008**

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## **Message from the Director, Institute of Museum and Library Services**

On behalf of the Institute of Museum and Library Services (IMLS), I am pleased to present the agency's Performance and Accountability Report for FY 2008. The report sets forth the agency's goals and objectives and highlights our related performance and accomplishments – programmatic, operational, and financial – for the past year.

The Institute of Museum and Library Services, an independent federal agency, helps create strong libraries and museums that connect people to information and ideas. The Institute works at the national level and in coordination with state and local organizations to sustain heritage, culture, and knowledge; enhance learning and innovation; build professional capacity; and attain excellence in federal management, operations, and service.

The Institute supports the full range of museums, including zoos, art, history, science and technology, children's, and natural history museums; historic houses, nature centers, and botanical gardens; and all types of libraries, including public, school, academic, research, and archival. Our programs of research, evaluation, policy analysis, grant making, and partnerships help make it possible for libraries and museums to be leaders in their communities.

Since taking office in March 2006, I have made cost-effectiveness and accountability my top priority, and I am pleased that we have many significant accomplishments to report. We have built upon the significant accomplishments of FY 2006 and FY 2007, which included strengthening our accounting and financial systems and clarifying the agency's mission and performance goals to enable us to more consistently integrate performance and budget. During FY 2008, the agency continued to focus its efforts on strengthening its Information Technology systems, financial management systems, and human capital.

We have also made significant progress in consolidating federal library and information services policy and data collection efforts. The Institute is making important contributions to the collection of sound and current data for policy analysis and is engaged in several high-profile research projects to analyze trends and share best practices.

This year we continued to address the significant needs of America's library and museum collections. A 2005 study supported by IMLS reported that 190 million objects are in need of conservation treatment, 65 percent of collecting institutions report damage due to improper storage, 80 percent of these institutions have no emergency plans that include collections, and 40 percent of institutions have no funds allocated in their annual budgets for preservation or conservation at all. In FY2007 the Institute launched *Connecting to Collections: A Call to Action* to leverage its previous work in this area and bring new attention to the need to act now to save these collections for future generations. Since that time thousands of libraries and museums have received the agency's "conservation bookshelf," participated in the summit or national tour forums, and visited the agency's resource-rich Web site. The initiative has helped to shape preservation agendas for other private and federal agencies including the Library of Congress and the Advisory on Historic Preservation's Preserve America Summit.

We have also made significant progress in consolidating library and information policy advisory activities, as well as integrating the long-standing federal data collection programs for the nation's public and state libraries.

I am pleased to affirm that the performance and financial data contained in this report is, to the best of my knowledge, reliable and complete.

A handwritten signature in blue ink that reads "Anne-Imelda M. Radice". The signature is written in a cursive style with a large initial 'A'.

Anne-Imelda M. Radice, Ph.D.  
Director

# **Management Discussion and Analysis**

## **Agency Profile**

This Performance and Accountability Report demonstrates that the Institute of Museum and Library Services (IMLS) continues to build upon the objectives, strategies, and programs of the Museum and Library Services Act, the National Museum of African American History and Culture Act, and the President’s Management Agenda.

## **Mission: Connecting People to Information and Ideas**

The Institute builds the capacity of libraries and museums to promote and support lifelong learning. To remain competitive, Americans must learn continually, adapt to change readily, and evaluate information critically. The nation’s 122,000 libraries and 17,500 museums play a fundamental role in creating vibrant, energized communities that help us do just that.

As stewards of cultural heritage, museums and libraries have traditionally helped us to experience, explore, discover, and make sense of the world. Today, these institutions use the tools of the 21<sup>st</sup> century—web technologies, broadband, digitization, and social networking—to connect people to information and ideas like never before. Innovating with new technology; creating strong partnerships with community organizations, business, and educators; and using the latest research about learning makes it possible for libraries and museums to offer unprecedented value to the public, fueling knowledge sharing and energizing our economy, creativity, and competitiveness.

Respected in their communities, libraries and museums hold the public trust and play an important role in our democracy by helping to create an informed citizenry. Our role at the Institute is to provide libraries, museums, and policymakers with the resources they need—leadership, data, policy analysis, and funding—to ensure that the American ideal of open access to information and ideas flourishes.

## **The Public Benefits of a Strong Library and Museum Sector: Competitiveness Depends on Lifelong Learning**

In postindustrial America, lifelong learning is fundamental to our nation’s success. For Americans to remain competitive we must recognize that formal schooling is only one part of the learning continuum. Thanks to a combination of public and private investment, libraries and museums in the United States constitute an expansive network of public and nonprofit institutions dedicated to making good on the democratic promise of a free flow of information and ideas for the public good. The brilliant variety of libraries and museums that supports learning in school, out of school, and from infancy to old age is one of the hallmarks of American education.

Museums and libraries make knowledge available to millions at little or no cost. To do this, they must be supported by a strong and resilient network of public, private, and earned-

revenue sources. As public and nonprofit institutions, libraries and museums must meet a very high threshold of mission accountability and must demonstrate that they use resources wisely for the public good.

Through grants and information resources, IMLS annually reaches thousands of museums and libraries in myriad ways, from providing much needed technical assistance for small institutions to establishing national and replicable models, strengthening state networks, and supporting professional development. To aid institutions in program design, we also provide tools for strategic planning and evaluation. Funding from the Institute helps museums and libraries to operate effectively and give value to their communities.

## **Organizational Structure**

IMLS, an independent federal agency established in 1996, brings together federal library programs that were first established in 1956, and federal museum programs that were initiated in 1976. The agency supports library and museum service in the United States through a combination of a state formula grants for libraries and peer-reviewed competitive discretionary grants, cooperative agreements, and partnerships that support both libraries and museums. The agency also provides research, analysis, and the collection of reliable, current data to inform professional practice and public policy. The Institute contributes to the development of sound information policy particularly in the areas of intellectual property, copyright, and privacy as they relate to scholarship; artistic expression; and the free flow of information and ideas for the public good.

The Institute is led by a director who is a presidential appointee confirmed by the Senate and advised by the National Museum and Library Services Board (NMLSB). The organization of the Institute consists of offices for Museum Services; Library Services; Administration; Budget and Finance; Information Resource Management; Policy, Planning, Research, and Communications; General Counsel; and Strategic Partnerships.

The NMLSB is a twenty-three-member advisory body that includes the Director of the Institute, the Deputy Director for Libraries, the Deputy Director for Museums, and twenty presidentially appointed, Senate-confirmed individuals who have demonstrated expertise in, or commitment to, library or museum services. Informed by its broad collective knowledge and experience, the NMLSB advises the IMLS Director on general policy and practices. The Board also provides critical input on selections for the National Medals for Museum and Library Service.

## **How IMLS Works**

### **Process**

IMLS has structured its activities, grant making, research, meetings and conferences, and publications to accomplish the agency's mission of connecting people to information and ideas.

### **From Plan to Action**

The Institute's Strategic Plan ensures that all agency activities link directly to IMLS's mission and goals. Implementation of this plan is the responsibility of all IMLS managers and staff. Annual metrics that track our progress will appear in the annual budget and the Performance and Accountability Report. The overall strategic goals and objectives are set by the Director of the Institute with the policy advice of the National Museum and Library Services Board in consultation with the agency management and with guidance from the Office of Management and Budget and Congress. Future activities will be assessed based upon their alignment with strategic goals, available budget as well as the potential to leverage collaboration and funding.

### **IMLS Statutory Role**

The Museum and Library Services Act authorizes the Institute to

- promote improvements in library services in all types of libraries in order to better serve the people of the United States;
- facilitate access to resources and in all types of libraries for the purpose of cultivating an educated and informed citizenry;
- encourage resource sharing among all types of libraries for the purpose of achieving economical and efficient delivery of library services to the public;
- encourage and support museums in carrying out their public service role of connecting the whole society to cultural, artistic, historic, natural, and scientific understandings that constitute our heritage;
- encourage and support museums in carrying out their educational role, as core providers of learning and in conjunction with schools, families, and communities;
- encourage leadership, innovation, and applications of the most current technologies and practices to enhance museum services;
- assist, encourage, and support museums in carrying out their stewardship responsibilities to achieve the highest standards in conservation and care of the cultural historic, natural, and scientific heritage of the United States to benefit future generations;
- assist, encourage, and support museums in achieving the highest standards of management and service to the public, and to ease the financial burden borne by museums as a result of their increasing use by the public;
- support resource sharing and partnerships among museums, libraries, schools, and other community organizations; and
- carry out and publish analyses of the impact of museum and library services.

The Institute's approach is to build the capacity of libraries and museums in the United States by supporting

- research and national models to inform best practice;
- knowledge sharing activities (conferences, Web sites, publications) that highlight best practice and share research results;
- partnerships to leverage impact;
- programs in local institutions, and state and national organizations, that apply lessons learned; and
- evaluation of program activities to continue to inform practice.

The Institute administers a variety of grant programs, each with specific purposes drawn from the enabling legislation, addressing the broad needs of museums, libraries, and related organizations.

The management of each grant program is structured to ensure that activities are carried out by eligible private and public nonprofit agencies, primarily libraries, museums, universities, and service organizations, to meet the agency's mission and the program purpose.

### **Discretionary Grants**

For discretionary grants, applicants submit proposals that are reviewed internally for eligibility and appropriateness. Applications are then assessed by expert peer-reviewers who are not Institute employees. The Institute's well-respected peer review process is central to its grant-making function. The success of grant programs is due largely to the contributions of peer-reviewers, who dedicate their time and expertise to advance the highest professional practices in the field. Library and museum professionals who know the needs of communities, can share promising practices, and are well versed in the current issues and concerns of museums and libraries review all competitive proposals. Peer-reviewers help to ensure that financial assistance is provided for projects that are appropriate to the applicant's capacity and meet overall program and agency goals. Requirements for reviewers are published annually. Reviewers come from museums and libraries of all sizes, disciplines, and types, and represent a broad cross-section of the country.

Following external peer review, IMLS program managers analyze project budgets and negotiate as necessary. The IMLS Director makes awards after reviewing recommendations. Successful applicants provide assurances that they will comply with applicable federal laws, regulations, and circulars. IMLS informs each grant recipient of the terms and conditions of an award. Each grant recipient files regular performance and financial reports. Grants management staff and program officers review and approve, with amendments if necessary, all reports to ensure compliance with terms and conditions. They also review performance reports to ensure the grant activities are carried out in accordance with the approved proposal.

## Grants to State Library Agencies

IMLS Grants to State Library Agencies is a population-based formula award to each state and the territories. IMLS works in close partnership with the states to ensure clear communication about program accountability while also ensuring that the states can individually identify and develop strategies that address their specific library needs. There are statutory requirements for five-year state plans and evaluations. In addition, IMLS receives annual reports from each state detailing expenditures and outcomes. IMLS hosts an annual conference for state program administrators to build skills in grant management and provide opportunity for knowledge sharing. IMLS staff has established a program of state site visits to assist states in the sound management of the program. State administrators have access to a Web site to facilitate communication about program requirements and guidance.

## Performance Goals

The Institute has four major programmatic goals:

- **Goal One:** Sustaining Heritage, Culture, and Knowledge
- **Goal Two:** Enhancing Learning and Innovation
- **Goal Three:** Building Professional Capacity
- **Goal Four:** Attaining Excellence in Federal Management, Operations, and Service

## Research and National Initiatives

Demographic, economic, educational, and technological changes are driving the public's increasing demand for information. A national poll of conducted by the Partnership for 21<sup>st</sup> Century Skills revealed general dissatisfaction with our nation's progress in preparing students for life, work, and citizenship in today's high-tech, globally interconnected world. In short, a clear majority of respondents expressed concerns about our ability to keep pace with the changing educational demands of the twenty-first century. Informal learning institutions, such as museums and libraries, are part of the solution. They play an increasingly vital role in partnership with schools, families, business, and community organizations to offer learners of all ages the rich experiences they need to explore, discover, and make sense of our rapidly changing world.

IMLS supports a wide range of museum and library activities in this area from homework help centers in public libraries to cutting-edge demonstration projects that help academic and research libraries develop sophisticated digital tools that help scholars mine information and create new knowledge. IMLS helps museums to be centers of engagement and learning and to expand their offerings through field trips, Web sites, virtual exhibits, and training for teachers.

As stewards of the world's accumulated knowledge, libraries and museums play a critical role in building the new knowledge society and in helping our nation narrow the divide between the information haves and the information have-nots, battle illiteracy of every kind, increase awareness of other cultures and customs, and increase civic engagement.

## Research

IMLS has strategically pursued research that informs the policy dialogue. IMLS recently released *Interconnections: The IMLS National Study on the Use of Libraries, Museums and the Internet*. This study, conducted with the University of North Carolina, examined how people make decisions about where to find information they need. The study looked at how the public uses museums, libraries, the Internet, and other sources to meet their information needs. It showed that in the age of the Internet, visits to libraries and museum are increasing. Visitors to these institutions—both online and in-person—report a very high level of satisfaction in finding what they need. Research subjects frequently reported that a museum visit “changed my perspective” or “inspired me to learn more,”

The Pew Center for American Life and the Internet and the University of Illinois released a new IMLS-supported study this year on public libraries and access to e-government information. It shows that contrary to the commonly held opinion that the Internet is replacing the public library as an information source, seekers of information use both resources. Internet users report a significantly higher use of the local public library than non-Internet users (61 percent vs. 28 percent). Another interesting trend is that young adults, who tend to be among the most Internet-savvy, use the public library more than other adults, further countering the belief that the Web is killing libraries.

In partnership with the Bill and Melinda Gates Foundation, IMLS made an award this year to the University of Washington to study the impact of access to free computers in the public library on individuals and communities.

And because so often library and museum going is a family experience, the Institute has awarded a grant to the Frist Center for the Visual Arts in Nashville, partnering with the High Museum of Art and the J.B. Speed Museum of Art, to explore family learning in art museums. This project includes a large-scale study of 2,100 family visitors and a longitudinal ethnographic study of 18 families.

## National Initiatives

### **Connecting to Collections: A Call to Action**

Leveraging the Institute’s significant past work in the area of conservation and preservation, the agency has launched a multi-faceted, multi-year initiative, *Connecting to Collections: A Call to Action (C2C)*, to shine a nationwide spotlight on the needs of America’s collections, especially those held by small to medium-sized libraries and museums, which often lack the human and financial resources necessary to care for their collections.

All four components of the initiative are based on the 2005 Heritage Health Index (HHI), a comprehensive study that argued powerfully for improved collections care in the United States. According to the study,

- 190 million objects are in need of conservation treatment;
- 65 percent of collecting institutions have damage to collections due to improper storage;

- 80 percent of collecting institutions do not have an emergency plan for their collections and staff trained to carry it out; and
- 40 percent of institutions have no funds allocated in their annual budgets for preservation or conservation.

The study's recommendations call upon libraries and museums to provide safe conditions for their collections, develop emergency plans to protect their collections, and assign responsibility for collections to a staff person. And finally, the study calls for individuals at all levels of government and the private sector to support efforts to protect our nation's collections.

The C2C initiative's inaugural event and first component, the National Summit, addressed issues related to the HHI recommendations. In June 2007, 200 representatives from smaller museums and libraries in each state, along with experts and leaders in the field, civic officials, and foundation heads, convened in Washington, D.C. Speakers at this standing-room-only summit shared both inspirational and practical information with attendees.

To bring the National Summit to the rest of the nation, IMLS designed the second component of C2C, a National Tour to be held in four different cities in 2008 and 2009. In FY 2008, forums were held in Atlanta and Denver; San Diego and Buffalo will host the remaining two in FY 2009.

C2C's third component is Statewide Planning Grants, awarded to every state, commonwealth, and territory to create collaborative plans that respond to the HHI recommendations. Some of these grants were awarded in January 2008; the remainder will be announced in early 2009.

The IMLS Connecting to Collections Bookshelf, the fourth component, is crucial for the success of the entire initiative, as it is intended as a permanent resource, particularly for small and medium-sized institutions. This permanent resource consists of 22 texts divided into two parts: one is designed for zoos and botanical gardens, and contains ten core texts plus six special selections for living collections; the other comprises 16 resources, including the core texts for all other kinds of collections. The C2C Bookshelf has now been distributed to nearly 2,000 institutions and has proved immensely popular. Another application period will be held in early 2009.

The C2C initiative has galvanized many public and private partners. The agency has been working closely with the National Endowment for the Arts, the National Endowment for the Humanities, and the President's Committee on the Arts and the Humanities, who have contributed time and resources to the effort. In addition, IMLS sits on the steering committee for the Advisory Council on Historic Preservation and participated in the fall 2006 activities of the Preserve America Summit. Indeed, that summit's findings and recommendations acknowledge the importance of conserving cultural collections through support for the IMLS C2C initiative. The initiative has leveraged private support as well, including significant grants from the Henry R. Luce Foundation and the Getty Foundation.

IMLS grant programs continue to support conservation and preservation of collections and other aspects of state-of-the-art collections management, including developing tools and training for museum and library professionals and volunteers. One example is the agency's Conservation Project Support (CPS) program, which supports conservation surveys, treatment, training, and educational components that bring the message of collections conservation to the public. In FY 2008, the Institute awarded 39 CPS grants for a total of \$3 million. This leveraged an additional \$4.47 million in non-federal funds.

### **Annual WebWise Conference**

The WebWise conference is a signature initiative of IMLS. Each year, since 2000, this conference has brought representatives of museums, libraries, archives, systems science, education, and other fields together to engage in an exploration of the latest innovations in the development and use of online content for inquiry and learning. The conference highlights recent research and innovations in digital technology, explores their potential impacts on library and museum services, and promotes effective museum and library practices in the digital environment. It also provides recipients of IMLS technology-based grants the opportunity to showcase exemplary projects.

### **Engaging America's Youth**

The IMLS initiative *Museums and Libraries Engaging America's Youth* looks at the contributions of IMLS grants from 1998 through 2003 to quality programs and positive outcomes for youth aged 9–19. Its goals were to identify results, trends, and characteristics of these projects; help strengthen programs and community partnerships for youth development; offer models of excellence and practical guidelines for youth programs; and understand IMLS projects in a national context of youth development efforts. The study, which included the input of a high-level steering committee, found that successful library and museum programs have a strong correlation to the best practice in positive youth development. The study highlights libraries and museums that are successful in involving youth in program design, building meaningful connections with participants' families and communities, and including a work or service-learning component in their programs. Libraries and museums are ideally situated to serve youth in their communities: they bring rich content, experienced and knowledgeable staff, high-quality learning environments, and access to technology. Moreover, these institutions are vital bridges between families, parents, caregivers and the schools.

This year, IMLS published the results of the study along with a handbook for practitioners, *Nine to Nineteen: Working with Youth in Libraries and Museum*. The handbook offers practical advice based upon the research findings that will help libraries and museums incorporate the practices of positive youth development in their programs. We encourage grant applicants to use these materials in developing programs and crafting applications, and we will ask peer reviewers to consider these findings in their evaluation of applications that include a youth component.

### **Focus on Science Literacy**

The need to improve science literacy in the United States is well documented. Informal learning institutions, independently and in partnership with schools, play an important role in this area. IMLS is partnering with the National Science Foundation and the Burroughs Welcome Fund to support a practitioner's guide to *Learning Science in Informal Environments*, a publication produced by the National Academies Board on Science Education that will make the most recent research on effective out-of-school learning strategies accessible to museum and library professionals in all types of institutions.

### **Brief Analysis of Financial Statements**

As discussed above, underlying the agency's many programmatic achievements is our commitment to organizational excellence and sound financial management, consistent with the President's Management Agenda.

We are pleased to report that the agency has continued to maintain a high level of financial oversight and that Leon Snead & Company has issued an unqualified opinion on the agency's FY 2008 financial statements. The audit has identified two findings, one of which is a material weakness. The auditors review of the FY2007 finding indicates that the condition has improved but not to the extent to which the auditor feels the finding has been fully satisfied. The status of these findings is discussed below in the management assurances section.

The IT staff continues its evaluation of the agency's enterprise architecture, the IT portion of the strategic plan, capital planning process, and IT initiatives to ensure the agency is meeting the initiatives based on the President's Management Agenda.

### **Limitations of Financial Statements**

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the entity in accordance with GAAP for federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

These statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

### **Management Assurances**

The Institute of Museum and Library Services is cognizant of the importance of establishing and maintaining adequate controls over its programs and administrative functions. Management continues to evaluate and modify existing controls – and establish new ones as appropriate – to ensure accountability of federal funds and resources. IMLS also recognizes the importance of using technology to enhance effectiveness and efficiency, as well as to ensure an adequate degree of internal control and compliance with applicable laws and regulations.

During FY 2008, the agency benefited from several opportunities to review its internal controls and make needed improvements. Leon Snead & Co., which was engaged by the agency to conduct IMLS's audit, reviewed the agency's management controls. During the initial assessment phase of the audit, Leon Snead undertook a comprehensive evaluation of our systems and procedures, noting two exceptions, one of which is a material weakness. A review of the one FY2007 finding indicates that the condition has improved but not to the extent to which the auditor feels the finding has been fully satisfied. These findings and the status of corrective actions are discussed below.

### **FY2008**

No. 1 - The IMLS Statement of Net Cost (SNC) as of June 30, 2008, and the related notes to the financial statements did not break down costs by major program. This finding is a material weakness since it could result in the material misstatement of the financial statements. The Institute analyzed its grant portfolio and year to date expenses as of September 30, 2008. Based on this analysis, its cost accounting methodology was finalized and implemented as of September 30, 2008. The IMLS Statement of Net Cost (SNC) as of September 30, 2008, and the related notes to the financial statements have costs broken out by goal and major program.

No. 2 - IMLS does not have an effective system in place to ensure the timely liquidation of outstanding grant advances in accordance with its advance policy. The Institute is reviewing its policy and will revise the policy to allow for a more effective process leading to the timely liquidation of outstanding advances. The target date for the new policy and related procedures is March 31, 2009.

### **FY2007**

The IMLS system controls need continued improvement to meet Federal information systems requirements. Following the FY 2007 reorganization of the information technology operations, the Office of the Chief Information Officer, in FY 2008 began enhancements of the IMLS' network and system security starting with an independent network assessment. The assessment revealed deficiencies that required improvements to the network architecture.

These improvements continue to be documented, tracked, and resolved through Plans of Actions and Milestones (POA&Ms). IMLS continues to maintain specific POA&Ms and supporting processes for identifying and resolving information security risks. Reviews are conducted on an ongoing basis and are being tracked and managed through the POA&M process. New policies and procedures have been developed to support the security of personally identifiable information (PII), incident response and reporting, breach notification, change management, and access and use of the Institute's IT resources. An IT Capital Planning Committee has also been created to allow the Institute to address long-term investments in IT systems and services. Although significant progress has been made, the Institute has additional tasks that must be completed before this finding will be fully resolved.

IMLS conducted an additional assessment of its internal controls by reviewing its operations and procedures to identify possible deficiencies in management controls. A Senior Assessment Team, chaired by the Chief Financial Officer, was established by the Director to consider accountability and controls annually within the broader context of agency operations.

The Assessment Team reviewed the agency's financial management, grants management, contracting and procurement, and human resources activities.

In addition, pursuant to the Federal Managers' Financial Integrity Act of 1982 (FMFIA), the IMLS Task Force asked the agency's offices to conduct an internal review of their respective activities to identify possible deficiencies in management controls. Mindful of the Administration's continuing emphasis on management accountability for effective and efficient performance, as well as the need to direct limited resources to their best use, IMLS managers were asked to exercise close scrutiny over all operations when conducting the reviews and to provide written statements of their findings.

Numerous actions were taken with respect to the review and follow-up, including the development of enhanced financial and personnel processes. Agency managers work closely with the Chief Financial Officer in developing and monitoring their program expenditures. The review also identified areas that require additional focus in the coming fiscal year, including further enhancement of IMLS's information technology infrastructure. The agency has continued to update its IT infrastructure to conform to the requirements set out in the Federal Information Systems Management Act. During FY 2008 the agency continued to make substantial progress in this area.

The work of the Senior Assessment Team and the agency's offices serve as the primary basis for the IMLS's reasonable assurance that management controls are adequate and effective. Together, the statements cover programmatic, administrative, IT and financial functions. The statements are consolidated, and reviewed by the Director.

The results of IMLS's assessment are reported here, within the agency's FY 2008 Performance and Accountability Report, consistent with the provisions of the Reports Consolidation Act of 2000. Based on the review process described above, IMLS provides the following assurances:

The Institute of Museum and Library Services management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). The Institute conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, the Institute can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2008 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

In addition, the Institute conducted an assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations. Based on the results of this evaluation, the Institute can provide reasonable assurance that with the exception of one material weakness identified by its auditors and discussed above, its internal control over financial reporting as of September 30,

2008 was operating effectively and that no additional material weaknesses were found in the design or operation of the internal control over financial reporting.

A handwritten signature in blue ink that reads "Anne-Imelda M. Radice". The signature is written in a cursive style with a large initial 'A'.

Anne-Imelda M. Radice, Ph.D.  
Director

# Measuring Performance

## FY 2008 Goals, Results, Performance Highlights

### Goal One: Sustaining Heritage, Culture, and Knowledge

The collections in libraries and museums connect people to the full spectrum of human experience: culture, science, history, and art. These collections increase Americans' global awareness and understanding. By preserving and conserving books, artworks, and other cultural artifacts, libraries and museums provide a tangible link with humankind's history. Now, with the digitization of collections, educational resources can be seamlessly shared worldwide. One vital way we provide leadership is by helping institutions identify the best ways to create and provide access to their digital resources.

FY08 Targets	Progress toward targets
IMLS supports independent evaluation of National Leadership Grants for preservation to assess national impact.	
1,000 small and medium-sized museums and libraries receive the "conservation bookshelf" to support comprehensive care of their collections.	1,835 small and medium-sized museums and libraries receive the "conservation bookshelf"
The Institute hosts regional conferences in two regions addressing high priority needs identified in Health Heritage Index. Over 350 representatives from libraries and museums attend.	Two events were held in 2008. The first event, entitled "Preserving America's Diverse Heritage" was held from Jan. 31 – Feb. 1, 2008 in Atlanta, GA and the second, entitled "Collaboration in the Digital Age" was held on June 24 – 25, 2008 in Denver, CO. Both events were captured via webcast and are available on the IMLS website.
The Institute provides planning grants to 26 states to undertake collaborative activity to address needs identified in Health Heritage Index. (The remaining states receive grants the following year.)	19 states receive a planning grant
Through Conservation Project Support, Conservation Assessment Program, and Museums for America, 400 museums pursue high-priority needs for their collections through a variety of strategies including conservation assessments, collections management, conservation treatment, improved environmental controls, improved collections storage, digitizing collections, and developing emergency plans. Many of these museums are also able to leverage additional public and private sources to match federal contribution. In addition, using Museum Professional for the 21st Century grants, participate in conservation-related professional development activities.	101 Conservation Assessment Program grants; 39 Conservation Project Support grants; 41 Museums for America

Five grants for African American History and Culture strengthen the skills of personnel to preserve pertinent history and culture materials; approximately 100 individuals will complete relevant professional development.	5 grants provided to African American museums/cultural institutions for collection care and conservation
With National Leadership Grants, 15 libraries develop new preservation models, services, or tools (including digital) to expand the efficiency and effectiveness of available strategies and choices for safeguarding collections.	39 libraries (5 grants, including partners) support preservation activities (20.8% of NLG grants to libraries)
Ten states complete statewide disaster planning using an IMLS-funded Web-based template and planning tool currently in development.	19 states receive statewide disaster planning support from IMLS
50 museums participate in a technology assistance program that enables them to create institutional technology plans.	No funding for this program.
18 Laura Bush 21st Century Librarian grants address the high-priority need of ensuring the availability of qualified library personnel to meet the needs of the nation in the 21st century. Five of these grants support internships in conservation. Five of these grants create new digital asset management capacity at the master's, doctoral or post-doctoral level; 200 students complete programs funded. Five of these grants build skills among existing library personnel to strengthen digital asset management; 1,000 students complete continuing education for this purpose. Three of these grants support advanced research and demonstration in digital preservation or data curation.	43 institutions (9 grants, including partners) were awarded grants to develop or participate in educational preservation programs at the master's or doctoral level .  Note: Fewer grants were awarded than projected. However, more projects than anticipated involved partners, increasing the number of institutions that will benefit. Twenty-four of the 52 accredited graduate schools of library and information science in the US (46%) are participants in 2008 Laura Bush 21st Century Librarian grants, either as grantees or as partners on grants. Another 19 institutions, including the Center for Research Libraries; the Northeast Document Conservation Center; OCLC, Inc.; the Smithsonian Institution Archives; the Brooklyn Museum; and several digital humanities centers will participate by hosting interns.
25 grants for Native American Library Services provide digitization training and planning for library staff.	Awarded grants to Native American Library services address strategic goal three.
Ten Native American Enhancement Library Grants support tribal preservation with an additional ten grants for Native American/Native Hawaiian Museum Services preserve heritage materials and traditions, including language, in eligible communities.	10 (of 15) Native American Library Enhancement Grants support cultural preservation (66% of Enhancement Grants) Also 61 (of 201, or 30%) Native American Basic Library Services Grants of \$5,000 each will help to support cultural preservation. Basic Grants are awarded on a non-competitive basis to each Indian tribe or Alaska Native Village recognized by the Bureau of Indian Affairs that applies, for provision of basic library services.

Highlights of IMLS-funded projects that help meet the goal of sustaining cultural heritage include the following:

### **Museum Uses Visual Arts and Technology to Create Rich Cross-curricular Connections**

With its IMLS Museums for America grant, the Philadelphia Museum of Art (PMA) is expanding Educating Through Technology, a cross-curricular, visual arts program for schools. The initiative provides wider access to the PMA's collections, illustrating how studying works of art can enrich core curriculum topics and create a classroom environment more conducive to true learning. Programs are developed around the museum's new education resource center, which mentors educators in the use of its materials and teaches how technology can bring arts into the classroom. New programs include curricular partnerships with school districts across the region, an initiative to reach rural schools throughout Pennsylvania, a range of professional development activities conducted via videoconference, and innovative studio art programs that feature interactions with professional artists.

### **Zoo Analyzes Tools that Guarantee Animals' Genetic Diversity and Health**

The Lincoln Park Zoological Gardens in Chicago is using an IMLS National Leadership Grant to conduct a retrospective analysis of the Species Survival Programs (SSP) and Population Management Plans (PMP). SSPs and PMPs are used to ensure the survival of future generations of animals housed in zoos and aquaria through breeding recommendations for captive populations, and to guarantee genetic diversity and health in the offspring of these populations. With its National Leadership Grants for Museums, the Lincoln Park Zoo will research past recommendations, plot the individual patterns in these plans that assure population success, and make recommendations to improve future SSP/PMP procedures.

### **New Orleans Museum Protects Collections from Future Disasters**

The Louisiana State Museum is using an IMLS Conservation Project Support grant to undertake detailed surveys of its nationally important collections of visual arts, jazz, material culture, maps and manuscripts, and costumes and textiles relating to the state of Louisiana. The resulting condition reports and treatment proposals for these artifacts will enable the museum to prioritize future treatment projects and complete a long-term preservation plan that has recently been developed. The project builds on recent activities such as buying new shelving and an upgraded HVAC system for the collections storage area designed to better protect the museum's collections in post-Katrina New Orleans. The collections of the Louisiana State Museum comprise the largest and broadest extant holdings of fine and decorative arts, historical artifacts, and research materials that document Louisiana history and culture.

### **IMLS Funds Innovations in Disaster Preparedness**

The Northeast Document Conservation Center (NEDCC) has received numerous grants from IMLS, most recently to develop a model for statewide disaster planning and disseminate it to all state libraries and archives. The project will provide a blueprint for preparing in advance for area-wide disasters and building alliances with federal, state, and local emergency management agencies. Partnering with NEDCC are the Massachusetts Board of Library Commissioners, the Massachusetts State Archives, Heritage Preservation, the Southeast Library Network (SOLINET), and the Society of American Archivists. With an earlier grant,

NEDCC, in partnership with the Massachusetts Board of Library Commissioners, created and disseminated an online training curriculum for library disaster planning based on a computerized tool for writing disaster plans.

### **Bishop Museum Conserves Hawaii's Cultural Treasures**

The Bishop Museum in Honolulu, HI, will conserve five Hawaiian mahiole (feathered helmets) and two ki'i hulu manu (feathered images) that have become increasingly fragile and cannot be handled, studied, or displayed in their current condition. The Bishop Museum, the state's largest natural and cultural history institution in the Pacific, will hire a conservator to repair and stabilize the mahiole and ki'i hulu manu, which were symbols of rank, status, and spiritual authority for ali'i (chiefly individuals) in pre-European contact Hawaii, and are cultural treasures. Proper restoration of these uniquely Hawaiian, supported by a 2008 Conservation Project Support grant, furthers the museum's objective to tell the cultural and natural history of the Hawaiian Islands and the Pacific.

### **Tamastlikt Cultural Institute Safely Houses Three Tribes' Cultural Collections**

The Confederated Tribes of the Umatilla Reservation in Pendleton, OR, has safely and efficiently housed 600 ethnographic objects and 5,000 lithics in the Vert Collection located at the Tamastlikt Cultural Institute (pronounced Tah-Must-Slicked, with the accent on the second syllable). The collection represents the material culture of the Confederated Tribes of the Umatilla Reservation, which consist of the Cayuse, Umatilla, and Walla Walla tribes that have inhabited the Pacific Northwest for 10,000 years. Current shelving was retrofitted to securely store artifacts contaminated with arsenic, mercury, and lead, found in pesticides that were used to treat artifacts from the late 1800s to the 1960s. Project staff members have attended courses to learn proper handling techniques of contaminated collections as well as collections management principles to assist with the development of policies and procedures to properly manage contaminated collections. The project was funded under a 2006 Native American/Native Hawaiian Museum Services grant.

## Goal Two: Enhancing Learning and Innovation

Success in today’s society requires information literacy, a spirit of self-reliance, and a strong ability to collaborate, communicate effectively, and solve problems. Combining strengths in traditional learning with robust investment in modern communication infrastructures, libraries and museums are well equipped to build the skills Americans need in the twenty-first century. Libraries and museums bring tremendous assets to communities engaged in a wide range of concerns, from workforce issues and parenting concerns to cross-cultural understanding and student achievement. As partners in the exercise of civic responsibility, libraries and museums are part of larger efforts to weave a stronger community fabric.

FY08 Targets	Progress toward targets
5000 students benefit from participating in summer reading programs at 50 public libraries as documented by outcome-based evaluation results; libraries use findings to improve programs.	Incomplete data/inconsistency in reported data. Each state approaches their reporting of summer reading programs in a different manner...very often as a statewide effort with no indication of how many libraries received mini-grants or materials. In Delaware the number of public libraries involved in the program is not clear though we do know that 34 libraries provided a special program.
State Library Administrative Agencies (SLAA) provide 4000 subgrants to support local programming and services in public libraries.	The number of subgrants varies from year to year based on state control of how LSTA funds are spent. Budget constraints at the SLAA may move the LSTA program from one which includes subgrants to one that administers only statewide projects.
IMLS analyzes four years of data from SLAA annual reports to determine trends and effective practice in use of Grants to States funds at the state and local levels and disseminate findings widely to strengthen state library programs.	LSTA analysis conducted by Library Research Consultants, LLC.
220 Museums for America grants reach every state and museums of all budget sizes and disciplines to strengthen audiences and operate more efficiently.museum infrastructure, programs and services and increase the number of people who use them to meet their learning needs. 50 of these grants will specifically help staff adopt new technologies to reach audiences and operate more efficiently.	154 Museums for America grants reach every state and museums of all budget sizes and disciplines to strengthen audiences and operate more efficiently.museum infrastructure, programs and services and increase the number of people who use them to meet their learning needs. 15 of these grants will specifically help staff adopt new technologies to reach audiences and operate more efficiently.
300 museum educators, librarians, teachers, and school administrators attend an IMLS conference on Engaging America’s Youth and learn about the model practices identified in an IMLS study.	Not funded
IMLS conducts the third True Needs True Partners survey to document evolving trends and measure results of relationships between museums and schools; disseminates findings in a conference and Web casts.	Not funded

25 National Leadership Planning Grants to libraries and five National Leadership Planning Grants to museums support collaborative planning to extend the impact of libraries and museums by meeting their communities' base before IMLS invests funding in their implementation.

1) NLG for Libraries—42 institutions (6 grants, including partners) undertake collaborative planning projects under NLG grants for Libraries.  
 2) NLG for Library and Museum Collaborations—16 institutions (3 grants, including partners) undertake collaborative planning projects under NLG grants for Library and Museum Collaborations. Some of the partners are consortia, so the number of institutions that will benefit directly exceeds 300).  
 Note: Although the number of grants was less than projected, the number of institutions participating in collaborative planning grants exceeded expectations.

Highlights of IMLS-funded projects that help meet the goal of enhancing learning and innovation include the following:

**Dallas Public Libraries Mentor Youth**

The Teen Center program of the Dallas Public Libraries (DPL) began in October 2002, funded by IMLS's Grants to States program. The original center was established at the Martin Luther King, Jr. Branch Library, located in one of the city's most disadvantaged areas. DPL's sixth Teen Center opened in 2008, with continuing support from IMLS. By creating a stable program, the library was able to attract more teens and their families to the library, provide a safe and supportive environment, and offer teens the resources they needed and wanted. The centers provide teens with positive alternatives to gangs and other negative choices by providing them with information on college and careers, access to computer resources, a forum in which their voices can be heard, opportunities to contribute to their communities, and help with their schoolwork through online tutoring. Most important, the program provides teens with positive role models right in their communities.

**Comprehensive History of U.S. Civil Rights Movement Marches Online**

The Civil Rights Digital Library Initiative, funded by an IMLS National Leadership Grant, represents an ambitious and comprehensive efforts to deliver educational content on the civil rights movement online. This initiative of the University of Georgia promotes an enhanced understanding of the movement through its three principal components: 1) a digital video archive of historical news film allowing learners to be nearly eyewitnesses to key events of the civil rights movement, 2) a civil rights portal providing a seamless virtual library on the movement by connecting related digital collections on a national scale, and 3) a learning objects component delivering secondary Web-based resources, such as contextual stories, encyclopedia articles, lesson plans, and activities, to facilitate the use of the video content in the learning process. In addition to the news film, the digital library includes related collections from 75 libraries, archives, and museums across the nation. Most are original documentation of the period, such as oral histories, letters, diaries, FBI files, and photographs.

**Collections of the West Preserved through Digitization Partnership**

Originally established with support from the IMLS Grants to States program as the Colorado Digitization Project in 1999, the Collaborative Digitization Project (CDP) enables access to cultural, historical and scientific heritage collections of the West by building collaboration

between archives, historical societies, libraries and museums in ten states. By bringing together the brightest minds and practitioners from archives, historical societies, libraries and museums, the CDP has been able to create extensive best-practice documents and guidelines. These documents help guide digitization efforts and are an invaluable tool for assisting cultural heritage practitioners in the planning and implementation of digital projects. CDP's goal is to reach out to the cultural heritage community and provide services and resources to help in the ongoing stewardship of vital materials. Over the years, CDP has received continued support from the Grants to States program, in addition to several IMLS National Leadership Grants.

### **North Carolina Program Provides Online Access to State's Cultural Assets, Builds Digital Framework**

North Carolina ECHO (Exploring Cultural Heritage Online) promotes the use of digital technologies to broaden and enhance access to the state's unique cultural and historical resources contained in state libraries, archives, museums, historic sites, and other cultural institutions. The evolving statewide project, which includes more than 200 collections, is funded by a grant from IMLS's Grants to States program. NC ECHO is open to all state cultural institutions that maintain a permanent, non-living collection of unique materials held for research or exhibit purposes and are open for the use of the public. The statewide framework for digitization, one of the first in the nation, comprises of a centralized set of tools for all to use, including a Web portal with a directory of over 850 state cultural repositories, standards and best practices in digitization, a two-tiered continuing education program to teach traditional special collection skills and digitization, a statewide needs assessment, and a digitization grant program that supports collaborative digitization projects among the state's libraries and partner cultural institutions and creates a deeper and wider assortment of online resources for the public's use.

### **PolyTalk Program Helps Librarians Reach Non-English Speakers**

Illinois' Lincoln Trail Libraries System created the PolyTalk Language Kit to communicate with two million Illinoisans who speak a language other than English at home. The kit is a series of laminated cards and folders that enable staff to engage a customer who does not speak English. When a non-English speaking customer comes into the library and seeks help, he or she is directed to a PolyTalk-trained employee who follows an established procedure for determining the customer's language and providing written information in that language. If additional assistance is needed, the employee phones an interpreter from a database of more than 100 volunteers who are available to talk to customers and find out what information they seek. The project has proved so useful that more than 165 libraries across Illinois are using this product. Librarians in Connecticut, Nebraska, Georgia and Ohio have inquired about joining the PolyTalk network. Funding for this program was provided by IMLS through the Grants to States program.

### **Museum Makes it Easier to Find Collections Online**

The Indianapolis Museum of Art used an IMLS National Leadership Grant to conduct research on the capabilities of social tagging and folksonomies, methods of labeling and categorizing online collections to make objects easier for the public to find. There are millions of works on the Web, but the general public sometimes has difficulty finding them because

the keywords associated with them may be technical or professional terms. This research project evaluates the relationship of user-suggested terms to existing museum documentation, professional-controlled vocabularies, general reference resources, and terms used in searches of online museum resources by the public. The results will provide new strategies for subject description and indexing and increase public access to collections using a set of common terms that takes into account the varied perspectives of users.

### **Small Museum has Big Educational Impact**

The General Lew Wallace Study and Museum is a small history museum and historic site with limited staffing. Using an IMLS Museums for America grant, the museum was able to hire a full-time director and offer engaging lifelong learning opportunities to the residents of Montgomery County, Indiana, and surrounding areas. The support has allowed the museum to implement its five-year education plan, which is aligned with its strategic plan. The museum has developed and integrated educational activities into regular changing exhibits, developed new programming, and now provides classroom materials and resources for local educators. In 2008, IMLS honored the General Lew Wallace Study and Museum with the National Medal for Museum Service.

### **Museums Study the Learning Benefits of Family Galleries**

The Frist Center for the Visual Arts, the High Museum of Art, and the J.B. Speed Museum of Art are using an IMLS National Leadership Grant to conduct a research project, Family Learning in Interactive Galleries, to understand how family galleries in art museums facilitate intergenerational learning. Educators are conducting this study in partnership with the Institute for Learning Innovation. The project includes a literature review of research in related fields, a large-scale study of 2,100 family visitors, and a longitudinal ethnographic study of 18 families. Results will address the needs of visitors, staff, researchers, and the museum field with learning outcomes, a specific methodology, and tested instruments for the field. A multimedia tool kit will be available on DVD to disseminate the study's results.

### Goal Three: Building Professional Capacity

The need for lifelong learning applies to the staff of museums and libraries as well as their users. The Institute places a priority on building leadership capacity by supporting the development of a highly skilled workforce in libraries and museums. The Institute helps to spur innovation, support diversity, and build traditional library and museum service expertise.

FY08 Targets	Progress toward targets
15 grants for Continuing Education projects in the Laura Bush 21st Century Librarian Program strengthen skills of 300 currently employed professionals.	6 grants; 20,455 students will benefit Note: Although the number of grants was less than projected, the number of students who are projected to benefit exceeded expectations (though none have completed the programs yet).
Five grants for Doctoral Education projects in the Laura Bush 21st Century Librarian Program support ten new doctoral candidates.	4 grants, 32 doctoral candidates will be supported Note: The number of grants was less than projected, but the number of doctoral candidates supported exceeded the projection
25 21st Century Museum Professionals grants strengthen 3500 museum professionals' museum management skills and knowledge, and expand the museum leadership pool.	8 21st Century Museum Professionals grants strengthen 4981 among 300+ institutions museum professionals' museum management skills and knowledge, and expand the museum leadership pool.
15 State Library Administrative Agencies provide continuing education for 450 library staff members and measure the effectiveness of their continuing education programs.	15 State Library Administrative Agencies used LSTA monies for continuing education. No data was collected regarding the number of library staff who participated in these education programs.
50 school library media specialists learn to provide effective resources and services for youth.	75 new school library media specialists will be supported in 3 grants
The number of Museum Assessment Program participants increases by 55 percent, providing 110 museums (approximately 540 paid and volunteer staff) with improved expertise in museum operations.	100 museums receive grants to improve expertise in museums operations
Museum and library staff in 25 communities gain collaboration and community-building skills by participating in partnerships to create The Big Read in their communities. These projects include participation in regional workshops to build target skills.	
Staff of 20 institutions gain expertise to preserve Native culture and to develop educational programs for such culture in museums and cultural centers through the Native American/Native Hawaiian Museum Services program.	

Through an interagency agreement between IMLS and the Museum of African American History and Culture, IMLS supports professional development for new staff at 20 African American museums.	Through an interagency agreement between IMLS and the Museum of African American History and Culture, IMLS supports professional development for new staff at 25 African American museums.
Ten Museum Grants for African American History and Culture programs train 75 professionals working in this content area, building the leadership and skills necessary to address the current and future needs of these institutions.	8 Museum Grants for African American History and Culture programs train 65 professionals working in this content area, building the leadership and skills necessary to address the current and future needs of these institutions.

Highlights of IMLS-funded projects that help meet the goal of supporting professional development include the following:

**Training Institute Offers Librarians and Community a Chance to Grow**

States of all sizes struggle to provide their community members with the public library resources they require and the trained library staff they deserve. In response to these needs, the state of Delaware used its grant from the IMLS Grants to States program to create the annual Library Associate Training Institute (LATI), which provides library supervisors and key library staff the opportunity to strengthen their knowledge of the concepts, techniques, and tools needed to enhance the delivery of public services to their constituency. LATI trains library staff through a combination of face to face and online sessions and on-the-job fieldwork projects. Topics include readers’ advisory services, effective reference service techniques, information resources, and the use of technology. Structured assessments and evaluations are integral to the program’s success and help refine the development of LATI.

**Tubman Museum Reaches Beyond its Walls to Help Teachers Inspire Georgia’s Youth**

For many schools in central Georgia, fieldtrips to local museums are a luxury that neither the school system nor its students can afford. To address this trend, the Tubman African American Museum used an IMLS Museum Grant for African American History and Culture to bring the art and history of African Americans to the teachers and students at these schools through outreach and afterschool programs. This outreach initiative has helped teachers to help students better their math and reading skills through activities focused on African American culture. The initiative also includes the training of a staff member who upgrades and maintains the museum’s Web site. To help further disseminate the teachings of this program, the site includes an educator’s page featuring printable and downloadable teacher’s guides and curricula.

**Association Helps Small Museums Achieve Excellence**

The American Association for State and Local History (AASLH) has used an IMLS 21<sup>st</sup> Century Museum Professionals grant to create an incremental standards program for history museums, targeted to small and mid-sized institutions. AASLH research has established that many small museums are interested in a standards program that will allow their organizations to improve at their own pace and as their budget allows. The association created a framework for helping these museums by drawing on the technical assistance services of field service offices and state and regional museum associations. In addition, AASLH developed a "train-the-trainer" component to strengthen the capacity of service providers, including those in states and territories that do not have ongoing field assistance programs.

### **Program Trains MLS Students to Preserve Our Digital Heritage**

With ever-increasing amounts of digital information being created every day, the University of Michigan School of Information realized that Master's in Library Science (MLS) students would need guidance on curating and preserving this information for future generations. With funds from the IMLS Laura Bush 21st Century Librarian Program, the university has provided 30 summer internships for MLS students that focus on digital curation/preservation administration. These internships encourage a balance between real-world practice and the classroom, and seek to address the growing need for professionals to manage and preserve the nation's digital archives.

### **Online Training Courses Offer Library Staff Long-distance Learning Opportunities**

The University of North Texas, through its online continuing education arm, Lifelong Education @ Desktop, is using a Laura Bush 21<sup>st</sup> Century Librarian grant in developing, producing, and marketing 30 online courses to meet the need for training of both library professionals and library support staff in core competencies for certification by state and regional agencies. These inexpensive online courses meet the certification requirements for broad national certifying programs, such as the ALA Library Support Staff Certificate and the Western Council of Libraries Certificate programs. Courses cover topics including leadership, personnel, long-range and strategic planning, partnerships, advocacy and marketing, circulation, reference, acquisitions, collection development and maintenance, cataloging, classification, and processing.

**Goal Four: Attaining Excellence in Federal Management, Operations, and Service**

The agency is focused on its administrative capacity in order to fulfill its statutory grantmaking, research, and evaluation activities. The Institute has completed the integration of federal responsibilities for library statistics activities and providing advice on library and information policy into its program activities. The Institute’s management is committed to meeting growing expectations to demonstrate accountability. Strategic planning and evaluation are a priority at the Institute in order to continue to achieve high quality management and performance.

<b>FY08 Targets</b>	<b>Progress toward targets</b>
IMLS provides resources and technical assistance to support at least 75 percent of the year’s grantee organizations in outcome-based planning and evaluation.	OBE training not provided in 2008
IMLS provides technical assistance and information to at least 400 potential applicants through audio conferences.	Not funded.
Formal independent evaluation of three IMLS grant programs assist IMLS to identify and implement program improvements and to share models to improve practice.	LSTA program evaluated and MPF examined the distribution of museum grants nationally.
IMLS continues to improve Information Technology operations to fully meet the requirements of the Federal Information Security Management Act of 2002 (FISMA) and to fully implement security measures.	In FY 2008 began enhancements of the IMLS’ network and system security starting with an independent network assessment. The assessment revealed deficiencies that required improvements to the network architecture. Reviews are conducted on an ongoing basis.
IMLS streamlines application and award management by transitioning to the Grants Management Line of Business.	IMLS has funded and implemented a fit/gap analysis to transition to the federal government’s Grants Management Line of Business
IMLS State Programs office completes 40 site visits to State Library Administrative Agencies between FY2006 and FY 2008 to monitor the management of the Grants to States program.	In FY2006 IMLS State Programs staff completed four (4) site visits to California, Massachusetts, Nevada, and Wyoming in FY06. In FY2007 IMLS State Programs staff completed nineteen (19) site visits to Alaska, Arkansas, Arizona, Delaware, Illinois, Indiana, Louisiana, Maryland, Michigan, Minnesota, Nebraska, New Hampshire, New Mexico, Oklahoma, Pennsylvania, Tennessee, Texas, Utah, and Virginia. In FY2008 IMLS State Programs staff completed eight (8) site visits to Georgia, Missouri, New York, North Dakota, Ohio, Oregon, Rhode Island, and the Virgin Islands. The total number of site visits completed during the three fiscal years FY2006-2008 is thirty-two (32).

<p>Staff of 50 State Library Administrative Agencies and eight Territories and Freely Associated States gain knowledge in the effective management of federal grants through the use of online reporting programs IMLS completes seamless consolidation of library</p>	<p>In FY2008 staff of 53 State Library Administrative Agencies representing the 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands gained knowledge in the effective management of the LSTA Grants to States Program through participation in a training conference held October 31-November 2, 2007 in Washington, DC. The conference was entitled LSTA: Life Saving Techniques and Answers which covered every aspect of LSTA program administration.</p>
<p>Responding to strong support from the museum community, IMLS pilots a museum statistics program.</p>	<p>Although funds were not appropriated for a formal museum statistics program, the Museum Public Finance report represents an important first step toward establishing a standardized data collection procedures and direction for ongoing monitoring of grantmaking.</p>

### **The President’s Management Agenda**

During the past three years, the Institute has prioritized strategic planning and evaluation and implementation of the President’s Management Agenda (PMA), a comprehensive strategy for improving the management and performance of the federal government. The PMA contains five government-wide goals to improve federal management and deliver results that matter to the American people:

- Budget and Performance Integration
- Strategic Management of Human Capital
- Competitive Sourcing
- Expanded Electronic Government
- Improved Financial Performance

IMLS activities in each of the PMA areas are described below.

### **Budget and Performance Integration**

IMLS has an integrated approach to budgeting and long-range planning. Responsibility for development, coordination, and innovation in General Performance and Results Act activities resides with the Chief Financial Officer and the Deputy Director of Policy, Planning, Research and Communications, who coordinate with all of the other offices of the agency in developing and implementing the agency’s strategic plan and budget. Over the past year, IMLS has continued to devote considerable effort into the development of its strategic goals and performance measures. The agency’s Board and staff recognize the vital importance of building the capacity of libraries and museums to connect people to information and ideas. This requires a strategic approach, so that limited federal dollars can be effectively used to achieve the best in library and museum services for the American people.

To ensure that this is accomplished, the Director has articulated the objectives of the President’s Management Agenda and the requirements of the Performance and Accountability Report to all IMLS staff; sought their collaborative input in developing and refining the agency’s strategic goals, taking into consideration the agency’s authorizing legislation and the

PMA; and actively sought the broad and diverse expertise of the Board. Not only has this furthered the agency's performance and measurement efforts, it has helped to enhance staff understanding of the importance of an effective management control environment.

### **Strategic Management of Human Capital**

Human capital is a valuable asset that needs to be managed strategically. During the past couple of years, the agency has evaluated and reorganized its staff in order to realign programs and operations to more effectively carry out the agency's core mission.

In addition to appointing a Chief of Staff, responsible for managing the agency's leadership workflow to ensure performance and accountability, the Director appointed a Chief Financial Officer who has oversight of the agency's day-to-day financial management and accounting and provides guidance on the financial aspects of recruitment, retention, and succession planning. She has also hired a Chief Information Officer with oversight of the agency's information technology systems. Along with the agency's Deputy Directors and General Counsel, these individuals represent the agency's senior executive team.

The Director of Human Resources has instituted a new Senior Executive Service (SES) program, deployed an online staffing and recruitment system, and implemented a new personnel payroll system. These are new and cutting-edge systems that are in alignment with the President's Management Agenda and allow the Institute to use less paper and respond to applicants and employees in a more professional and efficient manner. These new processes will be the starting point for SES and other agency certifications such as pay banding. The Director of Human Resources hired a Senior Human Resources Specialist to handle all recruitment and classification, staffing, employee relations, and employee benefit services. The Director of Human Resources has drafted the first phase of a new appraisal system that will be used for all SES members of the Institute. In addition, the Office of Human Resources works with outside contractors on an "as needed" basis when a neutral opinion is needed.

The Office of Human Resources has FY 2009 targets to institute a succession management plan, a single appraisal system for all employees of the Institute, and other human resource systems to further bring the Institute in alignment with other comparable agencies.

During this fiscal year, the agency has emphasized employee training and engagement. Training on personnel matters focused on the No Fear Act; Understanding Prohibited Personnel Practices and Whistleblower Protection; Making Accessibility a Reality – Making Panels and Other Meetings More Inclusive; Ethics and Government Service; Employee Performance Evaluation; and Benefits Available to Federal Employees.

IMLS continually works to sustain a high-performing workforce that understands the special roles and functions of federal service and that carries out the agency's work with efficiency integrity, and accountability.

### **Competitive Sourcing**

Competitive sourcing is a process that ensures that the government acquires services at the best value for the taxpayer, regardless of whether the service provider is a public or private

entity. IMLS recognizes that competition promotes innovation, efficiency, and greater mission effectiveness. The agency evaluates, on an ongoing basis, its core competencies and decides where to build internal capacity and when to contract for services from the private sector.

Some agency operations require a combination of both. For example, the agency's information technology infrastructure is managed by a small internal staff that is responsible for policy development and general system oversight with contractors who help develop and operate on a day-to-day basis the Institute's IT systems.

During 2008, the agency continued its agreement with the Enterprise Services Center (ESC) of the Federal Aviation Administration to provide IMLS with an Office of Management and Budget (OMB)/Office of Federal Financial Management (OFFM)-compliant Delphi financial management system. Recently, the Institute learned that over 50 clerical, accounting, IT, customer service and management staff at some level are responsible for the services received from the ESC. This clearly demonstrates that it would be impossible for IMLS to hire the required number of personnel with specialized expertise to operate and maintain a financial management system.

The Institute is continually searching for opportunities to increase efficiencies and reduce costs by leveraging other governmental Centers of Excellence in areas such as payroll, travel, and grants. To this end, the Institute completed the first phase of the transition of its payroll processing system from the U.S. Department of Agriculture-National Finance Center to the Department of Interior-Federal Payroll Personnel System (FPPS). The first payroll period processed via FPPS began on May 25, 2008. In addition to providing a front-end electronic timekeeping function, FPPS also allows the Institute's managers to electronically process personnel actions and thereby streamline this process. It results in improved timeliness of processing personnel actions. The next phase of the transition will implement a project tracking feature, which will allow the Institute to capture cost data to support the Institute's goals and targets. This feature will also aid the Institute in preparing its annual Performance and Accountability Report.

The Institute also converted to an OMB-approved e-travel system in July 2008 that has significantly reduced the former paper process and has substantially improved processing time for travel authorization and travel voucher submissions and reimbursements.

### **Expanded Electronic Government**

IMLS continues to expand its electronic government capabilities consistent with the goals of the President's Management Agenda and is committed to leveraging technology to minimize the burden on grantees and increase efficiencies agency-wide. IMLS presently delivers a number of services electronically and will be enhancing and expanding these services. In addition to the IMLS Web site, which provides application guidelines, publications, and other information, IMLS continues to partner with other federal agencies on Regulations.gov and the Grants.gov portal.

IMLS actively participates in government-wide initiatives to streamline the federal grant making process. The agency's Chief Financial Officer is a member of the federal Grants

Executive Board and the agency participates in the Grants.gov User Group. The Grants.gov Initiative benefits IMLS and its grant programs by providing a single location to publish grant opportunities and application packages and by providing a single site for the grants community to apply for grants using common forms, processes, and systems. By publishing its funding opportunities on Grants.gov, IMLS is reaching a larger, more diverse applicant pool.

An agreement with one of the OMB- approved Grants Management Line of Business (GMLoB) providers was executed with the Department of Health and Human Services, Administration for Children and Families (ACF) in January 2008. This will enable the Institute to retire its legacy internal grants management systems. Using a GMLoB provider is expected to substantially reduce the costs of maintaining an internal grants management system. Additionally, the costs of supporting future requirements can be shared among several agencies that are serviced by the GMLoB provider. IMLS completed an implementation plan in consultation with ACF and submitted it to OMB in April 2008. The grant application and award processes are scheduled for implementation in the fourth quarter of FY2009, but may take up to two years as the Institute's program and finance staff works to ensure that all grant management, accounting, and reporting requirements are satisfied.

*Pre-Award:* In FY 2008, synopses and application packages for all of IMLS's discretionary grant programs were posted on Grants.gov, meeting the 100 percent goal set by OMB for participating agencies. Applications via Grants.gov were mandatory for all of these programs.

*Peer Review Process:* An important element of the Institute's e-government plan is to incorporate online application review into the agency's overall grants management process. Electronic peer review has been embraced by IMLS reviewers in recent years and is expected to reduce the workload for both reviewers and staff, making feedback to applicants more efficient. IMLS will continue its successful implementation of electronic review.

*Project Planning:* In addition to the use of technology to advance application and award management, IMLS is developing assistance to help potential applicants develop better projects. This program will expand the Institute's capacity to disseminate high-quality information about the results of its programs and initiatives.

*Agency Communications:* The agency's Web site has been redesigned to assist grant applicants, grant reviewers, and grant recipients. It highlights a grantee each month, providing an in-depth profile about a project that has made a difference. The new site provides a useful portal to IMLS-produced planning and evaluation tools. It also links users to publications and online resources. The Institute places a high priority on public communication; it produces a free monthly electronic newsletter which currently reaches about 10,000 subscribers. The agency also produces regular press releases and has established a RSS feed.

*Information Technology:* During FY2008, the agency completed an analysis of the agency's grant management process. This analysis resulted in a partnership with the support team of GrantSolutions.gov. Working with the ACF, we've begun a fit/gap analysis to determine how the IMLS' grants management process will fit within the ACF's GrantSolutions process.

Continued progress is being made with the respect to the assessment of the Institute's processes fitting within the ACF's system.

### **Improved Financial Performance**

Last year, IMLS initiated a new relationship with the FAA's Enterprise Service Center for accounting services. The Enterprise Service Center was recently designated a "Center of Excellence" by the Office of Management and Budget. IMLS is the first agency to receive comprehensive accounting services from the Center and has been pleased to work with ESC in establishing an effective workflow. The partnership with the ESC has been enormously beneficial. It affords IMLS access to timely reporting and accounting services, and to the financial information necessary to make strategic agency and programmatic decisions.

The CFO of the agency continues to collaborate with the other senior managers to improve financial processes and to provide financial data required to manage their operations. Each of the Institute's offices has its own budget. Senior managers are required to monitor and approve expenditures. Quarterly budget meetings with the Chief of Staff and each office are conducted with more frequent discussions as conditions dictate.

In FY2008, the Institute contracted with one of the three GSA-approved e-travel systems to eliminate its present manual travel management process. The transition to the e-travel system was completed in July 2008 and has proved to be a great success in saving staff time, processing time and improved accountability for travel expenditures.

The Institute completed the first phase of the transition of its payroll processing system from the U.S. Department of Agriculture-National Finance Center to the Department of Interior-Federal Payroll Personnel System (FPPS). The first payroll period processed via FPPS began on May 25, 2008. In addition to providing a front-end electronic timekeeping function, FPPS also allows the Institute's managers to electronically process personnel actions and thereby streamline this process. It will also result in improved timeliness of processing personnel actions. The next phase of the transition will implement a project tracking feature, which will allow the Institute to capture cost data to support the Institute's goals and targets. This feature will also aid the Institute in preparing its annual Performance and Accountability Report.

During Fiscal Year 2008, IMLS continued its review of its procurement policies and procedures, and further enhanced its procurement program. The Institute's Contracting Officer provided day-to-day supervision of the agency's procurement office and provided guidance on the procurement aspects of the agency's operations. The Contracting Officer also engaged senior managers in acquisition planning which has resulted in significant improvement of procurement requests and consequently contract administration. During FY2008 the Institute expanded its use of the federal purchase card for micro-purchases.

## Measurement Challenges

The four goal areas outlined above provide important guidance for the entire agency, but translating these goals into operational measures has proven to be a challenge for the agency. Over the past year members of the IMLS staff have met with OBM representatives to develop a more consistent set of outcome indicators that encompass the agency goals and provide consistent benchmarks over time.

While the targets outlined in FY08 are reflective of agency goals, they were developed without the explicit intent of tracking performance over time. Many of the FY08 target goals were not articulated as measurable outcome indicators. The limitations of FY08 operational measures resulted in a lack of clarity regarding data collection procedures and limited progress toward standardizing the performance measurement procedures and incorporating these measures into routine organizational practice.

A review of the performance FY08 targets identified the following issues:

Direct performance data can be difficult to collect for some IMLS targets because beneficiaries of library and museum services can extend far beyond the point of service. For example, many State Library Agencies use Grants to States program funds to support technology investments in electronic database licensing for libraries across the state. This service is then made available to state residents through state and local government offices, public libraries, schools and universities. Increasingly, the use of these technology resources is not restricted to the physical location of participating institutions but rather are accessed online. In cases such as these, beneficiaries of funded services are not reliably identified or counted through.

The wide variability in the types of services funded within single programs presents a challenge to the development of reliable quantitative performance measurements. Unlike some federal grant programs in which a specific program is designed to support a predefined population of service recipients, IMLS investments support a broad spectrum of cultural, educational, and information services. Some of the funded initiatives provide direct services to individuals. Others support service initiatives that may be more appropriately monitored at the household, neighborhood, or community level of analysis. A single quantitative measure can systematically under-represent the variability across funded initiatives, even within the same grant program.

Some of the performance targets were developed without testing the feasibility of gathering the data or the benefit of previous year data for developing realistic targets. For example, the first target under goal two lists 5000 students benefiting from summer reading program in 50 public libraries. However, the 33 public libraries in Delaware alone served more than 11,000 youth through their summer reading programs. In short, further evaluation is needed to establish realistic program performance goals.

In the coming year, the agency will work with OMB to identify appropriate baselines for all new performance measures and assure that proposed new measures are more consistent with the agency's strategic plans, annual performance plans, and budget justifications. The agency

will work with OMB in the development of long-term measures to track program outcomes that fulfill the program's purpose; annual measures to implement plans and efforts to achieve long-term and strategic goals; and efficiency measures, to identify program costs relative to outputs or outcomes produced.

For programs that have multiple purposes and funding that is used for a wide range of activities, the agency will explore the strategies set forth in the OMB Performance Measurement Challenges and Strategies document (June 18, 2003). These strategies include surveying grantees to gauge the expected scale of their work, looking at historical trend data, and exploring the possibility of using performance measures and national standards to promote "joint" accountability for results for certain areas of service.

### **Improving Data Quality**

In developing a new set of performance indicators, OMB has recommended that IMLS look to federal agencies that provide grant support to nonprofits and state and local government entities. An important model for the agency will be NSF's model of quantitative and qualitative performance assessment tools. NSF's performance measures provide a useful model for IMLS to emulate in developing its grant management performance measures. NSF makes use of both qualitative information and quantitative data in determining annual progress towards achieving goals. Its strategic outcome goals are generally expressed in a qualitative form, and most management goals are quantitative.

In the coming year the agency staff in the Office of Policy, Planning, Research and Communication will work with the agency's Information Technology division to highlight the specific data elements that will be used to monitor and report progress in achieving the quantitative management goals. For these goals, performance results will be assessed and reviewed by our administrative staff and managers, and the agency will explore the possibility of audits of measures by external third parties. All performance results will be developed in such a way as to make them easily verified and validated by OMB. The assessment process for the quantitative goals will be straightforward. The agency will collect relevant data using internal data systems to establish baselines for OMB-approved performance measures from FY09 forward. These baseline measures will provide the agency with comparable data to track progress on agency performance goals over time. Progress toward achievement of most quantitative goals will be reviewed by senior management on a quarterly basis. In FY09 IMLS will develop, an agency-wide data tracking tool to collect data relevant to the quantitative goals to allow staff to track progress throughout the year.

### **Monitoring Quantitative Goals**

In FY09 IMLS will work closely with OMB to develop a detailed plan to document the processes used to collect, process, maintain, and report data for approved quantitative performance measures. Currently, IMLS does not have an independent, external firm to assess the validity of the data and reported results of the agency's performance goals and to verify the reliability of the methods used to collect, process, maintain, and report data for these performance measurement goals. However, staffing and technical changes within the agency

provide new opportunities for IMLS to work with OMB on the development and collection of performance indicators. In FY08 the agency created the Office of Policy, Planning, Research and Communication with the responsibility for creating agency wide performance measurement efforts. The new associate deputy director in this office will work with closely with IMLS management staff to develop a revised performance monitoring plan for OMB review. A review of NSF PART indicators highlight a series of quantitative measures to monitor management practices that can be implemented within FY09 with OMB approval. Quantitative measures used by other grant making agencies will be reviewed to determine whether and how they might be adapted to monitor IMLS performance. Some of the measures already reviewed include

- analysis of the characteristics of grant applicant pool to monitor participation across grant programs;
- time-to-decision measures on funding recommendations to track efficiency of grant making process; and
- automated measures of grantee reporting compliance to ensure effective management of public funds.

In the coming year, IMLS will identify and work closely with OMB in the development of new performance measures that provide reliable outcome data that is more closely aligned with the agency's performance goals and better able to inform funding and management decisions and to improve the agency's effectiveness. IMLS will work with OMB to review its performance rating process based on the guidelines set forth in the Program Assessment Rating Tool Guidance, No. 2008-04.

## **Financial Section**

### **Message from the Chief Financial Officer**

I am proud to join the Institute's Director, Dr. Anne-Imelda M. Radice, in presenting the Institute's FY 2008 Performance and Accountability Report. This report is an integrated presentation of our programmatic and management achievements over the past year and presents/reflects our financial status as of September 30, 2008.

I am pleased to report that the agency has received an unqualified, "clean", opinion for its comparative financial statements for fiscal years 2008 and 2007. The audit includes two findings, one of which is a material weakness. The material weakness results from the third quarter (June 30, 2008) Statement of Net Cost (SNC) and related notes to the financial statements being presented without a break down of costs by major program. This condition was corrected for the FY2008 year end, September 30, 2008, SNC and the related notes to the financial statements. A second finding involves the effectiveness of the Institute's system to ensure the timely liquidation of outstanding grant advances in accordance with its advance policy. The Institute is reviewing its policy and expects to implement an effective process no later than March 31, 2009. This process will result in the timely liquidation of outstanding advances. The third and final finding involves the Institute's ability to comply with accounting standards governing the timing of expense and revenue recognition by the Institute and its Federal trading partners. These accounting standards become effective in fiscal year

2009. Intra-governmental agreements between the Institute and its Federal trading partners currently do not always include adequate details regarding the accounting procedures and the accounting treatment to be used for each agreement, and more specifically, whether the funds will be considered advances or revenues and expenses. The Institute is now including language in its interagency agreements that address the requirements of the federal accounting standards that become effective in fiscal year 2009. This language specifically addresses the criteria for determining the timing of revenue and expense recognition.

The Institute will aggressively pursue complete and final resolution of the audit findings. Additionally the Institute will continue financial management improvements to effectively and efficiently manage public funds and to build a legacy of excellence.

I want to extend my sincere appreciation to all the dedicated Institute staff whose hard work and attention to detail has made the FY 2008 unqualified opinion possible. Although the Institute will face significant challenges during FY 2009 due to transition to a new Executive Administration, I anticipate another productive year, continuing to build on the significant progress achieved in FY 2008.

Wayne C. Morlier, CPA/CGFM  
Chief Financial Officer



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Director, Institute of Museum and Library Services

### **Independent Auditor's Report**

We have audited the balance sheets of the Institute of Museum and Library Services (IMLS) as of September 30, 2008 and 2007, and the related statements of net cost, changes in net position, and budgetary resources (the financial statements) for the years then ended. The objective of our audits was to express an opinion on the fair presentation of those financial statements. In connection with our audit, we also considered the IMLS' internal control over financial reporting and tested the IMLS' compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on its financial statements.

#### **SUMMARY**

As stated in our opinion on the financial statements, we found that the IMLS' financial statements as of and for the years ended September 30, 2008 and 2007, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control would not necessarily disclose all deficiencies in internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. However, our testing of internal control identified one material weakness in financial reporting related to IMLS' cost accounting and one significant deficiency related to liquidation of grant advances.

The results of our tests of compliance with certain provisions of laws and regulations disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

The following sections discuss in more detail our opinion on the IMLS' financial statements, our consideration of the IMLS' internal control over financial reporting, our tests of the IMLS' compliance with certain provisions of applicable laws and regulations, and management's and our responsibilities.

## **OPINION ON THE FINANCIAL STATEMENTS**

We have audited the accompanying balance sheets of the IMLS as of September 30, 2008 and 2007, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position, net cost, changes in net position, and budgetary resources of the IMLS as of and for the years ended September 30, 2008 and 2007, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the financial statements, the IMLS changed its method of allocating costs to programs in the Statement of Net Cost in response to redefined goals that were included in the justification for IMLS' fiscal year 2008 budget.

The information in the Management's Discussion and Analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Circular A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of IMLS management regarding the methods of measurement and presentation of the supplementary information and analysis of the information for consistency with the financial statements. However, we did not audit the information and express no opinion on it. The Performance and Accountability Report, except for Management's Discussion and Analysis, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements of the IMLS as of and for the years ended September 30, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the IMLS' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the IMLS' internal control. Accordingly, we do not express an opinion on the effectiveness of the IMLS' internal control.

Because of inherent limitations in internal controls, including the possibility of management override of controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report

financial data reliably in accordance with generally accepted accounting principles such that there is a more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph in this section of the report and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies. We consider the item related to IMLS' cost accounting methodology to be material weaknesses.

1. The IMLS Statement of Net Cost (SNC) as of June 30, 2008, and the related notes to the financial statements did not break down costs by major program.

Statement of Federal Financial Accounting Standards (SFFAS) No. 4, *Managerial Cost Accounting Standards and Concepts* requires each reporting entity to accumulate and report the costs of its activities on a regular basis for management information purposes. The standard also requires reporting entities to report the full costs of outputs in general purpose financial reports.

In addition, Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, section II.4.4 states:

The SNC should show the net cost of operations for the reporting entity, as a whole, by major program, which should relate to the major goal(s) and output(s) described in the entity's strategic and performance plans, required by GPRA.

As of the interim date, IMLS had not fully developed a cost accounting methodology. During the past few years, the agency reorganized its structure and redefined its strategic plans and goals. As of June 30, 2008, IMLS had identified goals related to major programs but had not yet completed the methodology to allocate its costs to those goals in the SNC and related footnotes.

The SNC for the nine months ended June 30, 2008, did not comply with SFFAS 4 and OMB Circular A-136 requirements. Lack of compliance with generally accepted accounting principles such as SFFAS 4 could result in a material misstatement of the financial statements.

For the September 30, 2008 financial statements, IMLS implemented a cost allocation methodology to assign its costs to programs. IMLS also provided detailed support for the amounts reported in the SNC.

### Recommendation

We recommended that IMLS finalize and implement its cost accounting methodology, which they did. We recommend that IMLS ensure that the cost allocation methodology is implemented for all financial statement reporting, including interim statements.

### Management Response

Management agreed with the condition as presented and recommendation. The Institute has finalized and implemented its cost accounting methodology as of September 30, 2008. The IMLS Statement of Net Cost (SNC) as of September 30, 2008, and the related notes to the financial statements have costs broken out by goal and major program.

### Auditor's Comment

We concur that IMLS implemented the cost accounting methodology as of September 30, 2008; however, we were unable to test the consistency of the application of the methodology in multiple periods. We will consider the finding resolved when the methodology demonstrates the ability to allocate costs to goals consistently across reporting periods.

2. Grantees did not always liquidate advances within the timeframes prescribed by IMLS.

IMLS policy states that advances for less than \$25,000 must be expended within 90 days, while advances in the amount of \$25,000 or more must be expended within 30 days. The agency did not have an effective system in place to ensure the timely liquidation of outstanding grant advances.

All four of the grantees for which we reviewed grant advances were delinquent from 47 to 398 days after the required liquidation time period. In addition, we found that grantees received additional advances even though they continued to carry an existing advance and obtained reimbursement for expenses before they documented that a previously existing advance had been liquidated.

### Recommendation

We recommended that IMLS require grantees to expend advances within prescribed time limits, approve requests for advance payments only if the grantee has expended all prior advances outstanding, and approve requests for reimbursement only after the grantee has demonstrated that all advances have been liquidated.

## Management Response

Management agrees with the condition as presented and the recommendations. To address this situation, the Institute has initiated a review of its current advance policy. The Institute will modify its advance policy and related procedures, as appropriate, by March 31, 2009 to correct the condition.

Management of IMLS reported the aforementioned material weaknesses in its reporting prepared pursuant to the Federal Managers' Financial Integrity Act (FMFIA). A summary of the status of prior year findings is included as Attachment 1. We noted other control deficiencies over financial reporting and its operation that we have reported to the management of the IMLS and those charged with governance in a separate letter dated November 13, 2008.

## **COMPLIANCE WITH LAWS AND REGULATIONS**

The results of our tests of compliance with certain provisions of laws and regulations, as described in the Responsibilities section of this report, disclosed no instances of noncompliance with laws and regulations that are required to be reported under *Government Auditing Standards* and OMB Bulletin 07-04.

## **RESPONSIBILITIES**

### Management Responsibilities

Management of the IMLS is responsible for: (1) preparing the financial statements in conformity with generally accepted accounting principles; (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers Financial Integrity Act (FMFIA) are met; and (3) complying with applicable laws and regulations. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies.

### Auditor Responsibilities

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin 07-04, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes (1) examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; (2) assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial

statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In planning and performing our audit, we considered the IMLS' internal control over financial reporting by obtaining an understanding of the agency's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 07-04 and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by FMFIA. Our procedures were not designed to provide an opinion on internal control over financial reporting. Consequently, we do not express an opinion thereon.

As required by OMB Bulletin 07-04, with respect to internal control related to performance measures determined to be key and reported in Management's Discussion and Analysis, we made inquiries of management concerning the methods of preparing the information, including whether it was measured and presented within prescribed guidelines; changes in the methods of measurement or presentation from those used in the prior period(s) and the reasons for any such changes; and significant assumptions or interpretations underlying the measurement or presentation. We also evaluated the consistency of Management's Discussion and Analysis with management's responses to the foregoing inquiries, audited financial statements, and other audit evidence obtained during the examination of the financial statements. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether the agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and significant provisions of contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin 07-04. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the IMLS. Providing an opinion on compliance with certain provisions of laws, regulations, and significant contract provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

#### **AGENCY COMMENTS AND AUDITOR EVALUATION**

In commenting on the draft of this report, the management of IMLS concurred with the facts and conclusions in our report. A copy of management's response, which includes discussion of actions planned or taken to correct the reported deficiencies, accompanies this report.

The IMLS' written response to the significant deficiency and material weakness identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**DISTRIBUTION**

This report is intended solely for the information and use of the management, the Director, and others within the IMLS, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

*Leon Snead & Company, P.C.*  
Leon Snead & Company, P.C.  
November 13, 2008

## ATTACHMENT I

### Status of Prior Year Findings

<u>Description</u>	<u>Status as of September 30, 2008</u>
1. IMLS systems controls need continued improvement to meet Federal information systems requirements.	1. IMLS has made additional progress on resolving its systems controls and security issues but has not fully resolved the finding.

DIRECTOR  
INSTITUTE OF MUSEUM AND LIBRARY SERVICES  
WASHINGTON, DC 20036-5802

November 17, 2008

Mr. Leon Snead  
Leon Snead & Company  
416 Hungerford Drive, Suite 400  
Rockville, Maryland 20850

Dear Mr. Snead:

Thank you for managing the audit of the Institute of Museum and Library Services' fiscal year 2008 financial statements and related review of our internal controls and compliance with laws and regulations, as required by the Accountability of Tax Dollars Act of 2002.

We were pleased to receive your opinion that our financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles; that your testing of internal control identified only one material weakness in the agency's financial reporting; and that the results of your tests of compliance with certain provisions of laws and regulations disclosed no instances of noncompliance with laws and regulations that are required to be reported under Government Auditing Standards and OMB Bulletin No. 07-04. Your findings helped validate the success of our efforts this year to enhance the agency's financial management systems.

The auditors' report contained two recommendations; on behalf of the agency, I am pleased to respond: The auditors recommended that IMLS finalize and implement its cost accounting methodology and ensure that the cost allocation methodology is implemented for all financial statement reporting, including interim statements. IMLS finalized and implemented its cost accounting methodology as of September 30, 2008. The IMLS Statement of Net Cost (SNC) as of September 30, 2008, and the related notes to the financial statements have costs broken out by goal and major program. The auditors also recommended that IMLS require grantees to expend advances within prescribed time limits, approve requests for advance payments only if the grantee has expended all prior advances outstanding, and approve requests for reimbursement only after the grantee has demonstrated that all advances have been liquidated. To address this situation, the Institute has initiated a review of its current advance policy and will modify its advance policy and related procedures, as appropriate, by March 31, 2009 to correct the condition.

We appreciate the time and effort committed by you and your colleagues who worked on the audit. We take our financial accounting and reporting responsibilities seriously and truly welcome your recommendations of ways to continue to strengthen our financial systems.

Sincerely,

  
Anne-Imelda M. Radice, Ph.D.

# INSTITUTE OF MUSEUM AND LIBRARY SERVICES

## BALANCE SHEET

As of September 30, 2008 and 2007

(in dollars)

<b>Assets:</b>	<b><u>2008</u></b>	<b><u>2007</u></b>
Intragovernmental :		
Fund balance with Treasury (note 2)	\$ 354,600,465	\$ 345,206,248
Accounts Receivable (note 3)	30,000	741
Other - Advances (note 5)	1,620,341	-
Total intragovernmental	<u>356,250,806</u>	<u>345,206,989</u>
General property, plant and equipment, net (note 4)	630,120	756,124
Other - Grant Advances (note 5)	7,401,263	3,173,810
<b>Total assets</b>	<b><u>\$ 364,282,189</u></b>	<b><u>\$ 349,136,923</u></b>
<b>Liabilities:</b>		
Intragovernmental :		
Other (note 7)	<u>\$ 1,643,199</u>	<u>\$ 1,219,941</u>
Total intragovernmental	1,643,199	1,219,941
Accounts payable	198,022	494,981
Federal employee and veteran benefits	-	-
Benefits due and payable (note 6)	511,338	349,076
Other (note 7)	867,153	865,759
Other - Grant Accrual (note 7)	54,837,503	39,786,646
<b>Total liabilities</b>	<u>58,057,215</u>	<u>42,716,403</u>
Commitments and contingencies	-	-
<b>Net position:</b>		
Unexpended appropriations - other funds	303,424,116	303,281,234
Cumulative results of operations - earmarked funds (note 9)	1,296,211	1,426,515
Cumulative results of operations - other funds	1,504,647	1,712,771
Total net position	<u>\$ 306,224,974</u>	<u>\$ 306,420,520</u>
<b>Total liabilities and net position</b>	<b><u>\$ 364,282,189</u></b>	<b><u>\$ 349,136,923</u></b>

The accompanying notes are an integral part of these statement

**INSTITUTE OF MUSEUM AND LIBRARY SERVICES**  
**STATEMENT OF NET COST**  
For the Years Ended September 30, 2008 and 2007  
(in dollars)

<b>Program costs:</b>	<b><u>2008</u></b>
<b>Goal 1: Sustaining Heritage, Culture and Knowledge</b>	
Gross Costs (note 10 & 11)	\$ 16,462,003
Less: Earned Revenue (note 12)	629,146
Net Program Costs	<u>15,832,857</u>
<b>Goal 2: Enhancing Learning and Innovation</b>	
Gross Costs (note 10 & 11)	\$ 190,951,553
Less: Earned Revenue	-
Net Program Costs	<u>190,951,553</u>
<b>Goal 3: Building Professional Capacity</b>	
Gross Costs (note 10 & 11)	\$ 30,932,032
Less: Earned Revenue	-
Net Program Costs	<u>30,932,032</u>
<b>Total Program Costs</b>	<u>\$ 237,716,442</u>
Costs not assigned to programs (note 10 & 11)	\$ 24,919,801
Less: Earned revenues not Attributed to programs	-
<b>Net Cost of Operations</b>	<b><u><u>\$ 262,636,243</u></u></b>
<b>Program costs:</b>	
<b><u>2007</u></b>	
Gross Costs (note 10 & 11)	\$ 258,415,237
Less: Earned Revenue	-
Net Program Costs	<u>258,415,237</u>
<b>Net cost of operations</b>	<b><u><u>\$ 258,415,237</u></u></b>

The accompanying notes are an integral part of these statements

**INSTITUTE OF MUSEUM AND LIBRARY SERVICES**  
**STATEMENT OF CHANGES IN NET POSITION**  
For the Years Ended September 30, 2008 and 2007  
(in dollars)

	<u>2008</u>			<u>2007</u>		
	<u>Earmarked Funds</u>	<u>All Other Funds</u>	<u>Consolidated Total</u>	<u>Earmarked Funds</u>	<u>All Other Funds</u>	<u>Consolidated Total</u>
<b>Cumulative Results Of Operations:</b>						
Beginning Balances	\$ 1,426,515	\$ 1,712,771	\$ 3,139,286	\$ 36,626	\$ 2,562,763	\$ 2,599,389
Adjustments:						
Changes in accounting principles	-	-	-	-	-	-
Corrections of errors	-	-	-	-	-	-
Beginning Balance, as adjusted	1,426,515	1,712,771	3,139,286	36,626	2,562,763	2,599,389
<b>Budgetary Financing Sources:</b>						
Appropriations Used	-	261,613,878	261,613,878	-	257,063,232	257,063,232
Nonexchange Revenue	17,177	-	17,177	35,963	-	35,963
Donations of Cash and Cash Equivalents	317,480	-	317,480	1,370,683	-	1,370,683
<b>Other Financing Sources (Non-Exchange):</b>						
Imputed financing	-	349,280	349,280	-	485,256	485,256
Total Financing Sources	334,657	261,963,158	262,297,815	1,406,646	257,548,488	258,955,134
Net Cost of Operations	464,961	262,171,282	262,636,243	16,757	258,398,480	258,415,237
Net Change	(130,304)	(208,124)	(338,428)	1,389,889	(849,992)	539,897
<b>Cumulative Results Of Operations</b>	<b>\$ 1,296,211</b>	<b>\$ 1,504,647</b>	<b>\$ 2,800,858</b>	<b>\$ 1,426,515</b>	<b>\$ 1,712,771</b>	<b>\$ 3,139,286</b>
<b>Unexpended Appropriations:</b>						
Beginning Balance	-	303,281,234	303,281,234	-	314,403,505	314,403,505
Adjustments:						
Changes in accounting principles	-	-	-	-	-	-
Corrections of errors	-	-	-	-	-	-
Beginning Balance, as adjusted	-	303,281,234	303,281,234	-	314,403,505	314,403,505
<b>Budgetary Financing Sources:</b>						
Appropriations Received	-	268,193,000	268,193,000	-	249,700,746	249,700,746
Appropriations transferred in/out	-	-	-	-	-	-
Other Adjustments	-	(6,436,240)	(6,436,240)	-	(3,759,785)	(3,759,785)
Appropriations Used	-	(261,613,878)	(261,613,878)	-	(257,063,232)	(257,063,232)
Total Budgetary Financing Sources	-	142,882	142,882	-	(11,122,271)	(11,122,271)
Total Unexpended Appropriations	-	303,424,116	303,424,116	-	303,281,234	303,281,234
<b>Net Position</b>	<b>\$ 1,296,211</b>	<b>\$ 304,928,763</b>	<b>\$ 306,224,974</b>	<b>\$ 1,426,515</b>	<b>\$ 304,994,005</b>	<b>\$ 306,420,520</b>

The accompanying notes are an integral part of these statements

**INSTITUTE OF MUSEUM AND LIBRARY SERVICES**  
**STATEMENT OF BUDGETARY RESOURCES**  
For the Years Ended September 30, 2008 and 2007  
(in dollars)

	<b>2008</b>	<b>2007</b>
	<b><u>Budgetary</u></b>	<b><u>Budgetary</u></b>
<b>Budgetary Resources:</b>		
Unobligated balance, brought forward, October 1:	\$ 12,379,664	\$ 20,036,617
Recoveries of prior year unpaid obligations	5,377,238	2,578,258
Budget authority		
Appropriation		
Actual	268,527,657	248,611,392
Spending authority from offsetting collections:		
Earned		
Collected	616,891	560,541
Change in receivables from Federal sources	30,000	-
Change in unfilled customer orders		
Advance received	299,879	1,173,683
Without advance from Federal sources	-	-
Anticipated for rest of year, without advances	-	-
Subtotal	<u>946,770</u>	<u>1,734,224</u>
Temporarily not available pursuant to Public law		
Permanently not available		
Cancellation of expired and no-year accounts (-)	(1,750,907)	(1,263,785)
Enacted reductions (-)	(4,685,332)	-
Total Budgetary Resources	<u>\$ 280,795,090</u>	<u>\$ 271,696,706</u>
<b>Status of Budgetary Resources:</b>		
Obligations incurred: (note 13)		
Direct	\$ 271,679,828	\$ 258,143,360
Reimbursable	809,025	1,173,683
Exempt from apportionment	921,738	-
Subtotal	<u>273,410,591</u>	<u>259,317,043</u>
Unobligated balance:		
Apportioned	1,998,928	8,580,776
Apportioned for subsequent periods	-	-
Anticipated	-	-
Exempt from apportionment:		
Exempt from apportionment	438,634	1,025,714
Anticipated (+ or -)	-	-
Subtotal	<u>2,437,562</u>	<u>9,606,490</u>
Unobligated balance not available	4,946,937	2,773,173
Total status of budgetary resources	<u>\$ 280,795,090</u>	<u>\$ 271,696,706</u>
<b>Change in Obligated Balance:</b>		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	\$ 332,826,584	\$ 333,975,793
Less: Uncollected customer payments from		
Federal sources, brought forward, October 1	-	-
Total unpaid obligated balance, net	<u>\$ 332,826,584</u>	<u>\$ 333,975,793</u>
Obligations incurred, net(+/-)	273,410,591	259,317,043
Less: Gross outlays	(253,678,199)	(257,887,994)
Less: Recoveries of prior unpaid obligations, actual	(5,377,238)	(2,578,258)
Change in uncollected customer payments		
from Federal sources (+/-)	(30,000)	-
Obligated balance, net, end of period		
Unpaid obligations	347,181,737	332,826,584
Uncollected customer payments from Federal sources (+/-)	(30,000)	-
Total, unpaid obligated balance, net, end of period	<u>\$ 347,151,737</u>	<u>\$ 332,826,584</u>
<b>Net Outlays:</b>		
Gross outlays	\$ 253,678,199	\$ 257,887,994
Less: Offsetting collections	(916,771)	(1,734,224)
Less: Distributed offsetting receipts	(64,229)	-
Net outlays	<u>\$ 252,697,200</u>	<u>\$ 256,153,770</u>

The accompanying notes are an integral part of these statements

# INSTITUTE OF MUSEUM AND LIBRARY SERVICES

## NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2008 and 2007

(in dollars)

### **Note 1 Significant Accounting Policies**

The Financial Statements are presented in accordance with the accounting principles, reporting standards, and circulars of the principal central agencies of the Department of Treasury (Treasury); the Government Accountability Office (GAO); and the Office of Management and Budget (OMB).

#### **A. Basis of Presentation**

The financial statements have been prepared to report the financial position and results of operations of the Institute of Museum and Library Services (IMLS) as required by the Accountability of Tax Dollars Act of 2002 (ATDA), Public Law No. 107-289. The statements have been prepared from the books and records of IMLS in accordance with the form and content for entity financial statements, as specified by OMB Circular A-136, Financial Reporting Requirements, and IMLS accounting policies, which are summarized in this note. This statement differs from agency financial management reports also prepared by IMLS pursuant to OMB directives that are used to monitor and control IMLS' use of budgetary resources.

#### **B. Reporting Entity**

The Institute is the primary source of federal support for the nation's 122,000 libraries and 17,500 museums. Its mission is to grow and sustain a "Nation of Learners" because life-long learning is essential to a democratic society and individual success. Through its grant making, convenings, research and publications, the Institute empowers museums and libraries nationwide to provide leadership and services to enhance learning in families and communities, sustain cultural heritage, build twenty-first-century skills, and increase civic participation.

The activities of IMLS are authorized by Chapter 72 of Title 20 of the U.S. Code ([20 USC Section 9101 \*et seq.\*](#)), which codifies the Museum and Library Services Act, as amended, as well Section 80r-5(b) of Title 20 of the U.S. Code (20 USC Section 80r-5(b)), which codifies the National Museum of African American History and Culture Act.

As a federal agency administering discretionary federal programs, IMLS receives its funding through the indefinite appropriation process. It is one of several independent agencies whose spending limits each year are established in the Labor, Health and Human Services, Education, and Related Agencies Appropriations Act.

# INSTITUTE OF MUSEUM AND LIBRARY SERVICES

## NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2008 and 2007

(in dollars)

### **C. Budgets and Budgetary Accounting**

The activities of IMLS are authorized by Chapter 72 and Section 80r-5(b) of Title 20 of the U.S. Code. As a federal agency that administers discretionary programs, IMLS is funded through the indefinite appropriations process. IMLS's function is to support museum and library services. The agency received funds pursuant to a reimbursable agreement from the National Park Service.

### **D. Basis of Accounting**

Transactions are recorded on an accrual accounting basis and budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds.

### **E. Fund Balance with Treasury and Cash**

Cash receipts and disbursements are processed by the U.S. Department of the Treasury. IMLS does not maintain cash in commercial bank accounts. Funds with Treasury are available to pay current liabilities and finance authorized purchase obligations.

IMLS' FY2003 annual appropriation fund cancelled at the end of FY2008. This amount is shown on the Statement of Budgetary Resources line "Cancellation of expired and no-year accounts" and is also reflected in the cash balance with Treasury (Note 2) until Treasury withdrawals the monies next fiscal year.

### **F. Revenues and Other Financing Sources**

IMLS receives funding through annual Congressional appropriations from the budget of the United States. In addition, IMLS was granted the authority to accept donations and to invest in interest-bearing accounts. These donations may be restricted as to the purpose or time period for which they are provided.

**INSTITUTE OF MUSEUM AND LIBRARY SERVICES**

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2008 and 2007

(in dollars)

**G. Non-Entity Assets and Liabilities**

Non-entity assets are defined as those assets that are held and managed by IMLS but that are not available to finance IMLS operations. An amount equal to the non-entity assets is recognized as an entity liability under Other Liabilities.

**H. General Property, Plant and Equipment**

IMLS' policy is to depreciate property, plant and equipment over the estimated useful life of the asset. IMLS' capitalization threshold is \$5,000 for individual purchases and \$50,000 for aggregate purchases with a minimum \$2,500 per item. Estimated useful lives by asset class are as shown below:

<u>Asset Class</u>	<u>Useful Life</u>
Computer equipment & software	3 years
Office equipment	5 years
Furniture	7 years
Leasehold improvement	Lease Term

**I. Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes available, which could impact the amounts reported and disclosed herein.

**J. Federal employee and veteran benefits**

There are no federal employee and veteran benefits liabilities that require disclosure.

**K. Commitments and Contingencies**

There are no commitments or contingencies that require disclosure.

**INSTITUTE OF MUSEUM AND LIBRARY SERVICES**

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2008 and 2007

(in dollars)

**Note 2 Fund Balance with Treasury**

	<b>2008</b>		
<b>Intragovernmental:</b>	<b>Entity</b>	<b>Non-Entity</b>	<b>Total</b>
Trust Fund	\$ 1,296,211	\$ -	\$ 1,296,211
Investments	-	-	-
Annual Appropriated Funds	223,535,415	-	223,535,415
No Year Appropriated Funds	129,704,610	-	129,704,610
Treasury Misc. Receipts	<u>-</u>	<u>64,229</u>	<u>64,229</u>
Total	<u>\$354,536,236</u>	<u>\$ 64,229</u>	<u>\$354,600,465</u>

	<b>2007</b>		
<b>Intragovernmental:</b>	<b>Entity</b>	<b>Non-Entity</b>	<b>Total</b>
Trust Fund	\$ 1,426,515	\$ -	\$ 1,426,515
Investments	-	-	-
Annual Appropriated Funds	4,895,920	-	4,895,920
No Year Appropriated Funds	338,883,813	-	338,883,813
Treasury Misc. Receipts	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$345,206,248</u>	<u>\$ -</u>	<u>\$345,206,248</u>

<b>Status of Fund Balance with Treasury:</b>	<b>2008</b>
Unobligated Balance	
Available	\$ 2,437,562
Unavailable – No Year / Admin	418,688
Unavailable – No Year / Program	4,528,249
Unavailable – Annual Funds	-
Obligated Balance Not Yet Disbursed	347,151,737
Non-Budgetary FBWT	<u>64,229</u>
Total	<u>\$ 354,600,465</u>

<b>Status of Fund Balance with Treasury:</b>	<b>2007</b>
Unobligated Balance	
Available	\$ 9,606,490
Unavailable – No Year / Admin	190,421
Unavailable – No Year / Program	1,741,669
Unavailable – Annual Funds	841,084
Obligated Balance Not Yet Disbursed	332,826,584
Non-Budgetary FBWT	<u>-</u>
Total	<u>\$ 345,206,248</u>

**INSTITUTE OF MUSEUM AND LIBRARY SERVICES**

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2008 and 2007

(in dollars)

**Note 3 Accounts Receivable**

In FY2008 the IMLS entered into an Inter-agency agreement with the National Endowment for the Humanities (NEH), supporting the IMLS Connecting to Collections: National Tour initiative. Under this agreement, the NEH would transfer \$30,000 to the IMLS in support of the above mentioned initiative. As of 9/30/08 the IMLS has not collected the monies; these will be collected in FY2009.

	<u>2008</u>	<u>2007</u>
Gross Receivables:		
Receivables due from Gov't entities	\$ 30,000	\$ -
Receivables due from public	-	741
Allowance for uncollectible accounts	<u>-</u>	<u>-</u>
Net Receivables	<u>\$ 30,000</u>	<u>\$ 741</u>

**INSTITUTE OF MUSEUM AND LIBRARY SERVICES**

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2008 and 2007

(in dollars)

**Note 4 General Property, Plant & Equipment**

<b>Major Class</b>	<b>2008</b>		
	<b>Acquisition Value</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Leasehold Improvements	\$ 782,914	\$274,020	\$508,894
Equipment	172,163	62,242	109,921
Asset Under Capital Lease	45,219	33,914	11,305
<b>Total PP&amp;E</b>	<b><u>\$ 1,000,296</u></b>	<b><u>\$370,176</u></b>	<b><u>\$630,120</u></b>

  

<b>Major Class</b>	<b>2007</b>		
	<b>Acquisition Value</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Leasehold Improvements	\$ 782,914	\$195,728	\$587,186
Equipment	172,160	25,832	146,328
Asset Under Capital Lease	45,219	22,609	22,610
<b>Total PP&amp;E</b>	<b><u>\$ 1,000,293</u></b>	<b><u>\$244,169</u></b>	<b><u>\$756,124</u></b>

The leasehold improvement is the portion of the building lease recorded as a capital lease. The amount capitalized represents the present value of monthly lease payments for the improvements of \$8,120.67 over 120 months, or 10 years. The imputed interest cost used in calculating the net present value of the lease payments was based on OMB Circular A-94, *Discount Rates for Cost Effectiveness, Lease Purchase, and Related Analysis*, which listed Treasury's 2005 nominal interest rate for a 10-year period as 4.6%.

The equipment is furniture with a useful life of 7 years. The acquisition cost of \$23,080.80 over 7 years calculates monthly depreciation to be \$274.77.

The asset under capital lease is a photocopier under a 48 month lease to own agreement with a monthly cost of \$1,032.16. The imputed interest cost used in calculating the net present value of the lease payments was based on OMB Circular A-94, *Discount Rates for Cost Effectiveness, Lease Purchase, and Related Analysis*, which listed Treasury's 2006 nominal interest rate as 4.75%.

**INSTITUTE OF MUSEUM AND LIBRARY SERVICES**

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2008 and 2007

(in dollars)

**Note 5 Other Assets**

	<u>2008</u>	<u>2007</u>
Intragovernmental - Advances	\$1,620,341	\$ —
Grant Advances	<u>7,401,263</u>	<u>3,173,810</u>
Total Other Assets	<u>\$9,021,604</u>	<u>\$3,173,810</u>

Grantees are authorized by OMB to request advances toward grant awards. IMLS policy states that advances for less than \$25,000 must be expended within ninety days, while advances in the amount of \$25,000 or more must be expended within thirty days. The amount of Other Assets represents the total amount of advances requested and paid to grantees as of September 30, 2008.

**Note 6 Liabilities Not Covered by Budgetary Resources**

	<u>2008</u>
Intragovernmental:	
Total intragovernmental	\$ —
Accounts Payable	—
Accrued Unfunded Leave	511,338
Misc. Receipts Payable to Treasury	<u>64,229</u>
Total liabilities not covered by budgetary resources	575,567
Total liabilities covered by budgetary resources	<u>57,481,648</u>
Total liabilities	<u>\$58,057,215</u>

	<u>2007</u>
Intragovernmental:	
Total intragovernmental	\$ —
Accounts Payable	—
Accrued Unfunded Leave	349,076
Misc. Receipts Payable to Treasury	<u>—</u>
Total liabilities not covered by budgetary resources	349,076
Total liabilities covered by budgetary resources	<u>42,367,327</u>
Total liabilities	<u>\$42,716,403</u>

**INSTITUTE OF MUSEUM AND LIBRARY SERVICES**

## NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2008 and 2007

(in dollars)

**Note 7 Other Liabilities**

	<b>2008</b>		
	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
Intragovernmental:			
Liability for Prepayments	\$ –	\$ 1,473,562	\$ 1,473,562
Employer Contrib.& PR Tax	–	105,408	105,408
Misc.Receipts Due to Treasury	–	<u>64,229</u>	<u>64,229</u>
Total Intragovernmental	\$ –	\$ 1,643,199	\$ 1,643,199
Public:			
Accrued Pay and Benefits	–	308,488	308,488
Capital Leases	558,665	–	558,665
Misc. Receipts Due to Treasury	–	–	–
Grant Accrual	–	<u>54,837,503</u>	<u>54,837,503</u>
Total Other Liabilities	<u>\$ 558,665</u>	<u>\$56,789,190</u>	<u>\$57,347,855</u>
	<b>2007</b>		
	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
Intragovernmental:			
Liability for Prepayments	\$ –	\$ 1,173,683	\$ 1,173,683
Employer Contrib.& PR Tax	–	46,258	46,258
Misc.Receipts Due to Treasury	–	–	–
Total Intragovernmental	\$ –	\$ 1,219,941	\$ 1,219,941
Public:			
Accrued Pay and Benefits	–	225,045	225,045
Capital Leases	640,714	–	640,714
Misc. Receipts Due to Treasury	–	–	–
Grant Accrual	–	<u>39,786,646</u>	<u>39,786,646</u>
Total Other Liabilities	<u>\$ 640,714</u>	<u>\$41,231,632</u>	<u>\$41,872,346</u>

**INSTITUTE OF MUSEUM AND LIBRARY SERVICES**

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2008 and 2007

(in dollars)

**Note 8 Leases**

IMLS as Lessee

Capital Leases:

**2008**

Summary of Assets Under Capital Lease:

Leasehold Improvements \$ 782,914

Accumulated Amortization 274,020

Net \$ 508,894

Equipment – Canon \$ 45,219

Accumulated Amortization 33,914

Net \$ 11,305

IMLS as Lessee

Capital Leases:

**2007**

Summary of Assets Under Capital Lease:

Leasehold Improvements \$ 782,914

Accumulated Amortization 195,728

Net \$ 587,186

Equipment – Canon \$ 45,219

Accumulated Amortization 22,609

Net \$ 22,610

Description of Lease Arrangements:

In fiscal year 2005, IMLS entered into a 10-year occupancy agreement with the U.S. General Services Administration (GSA) to lease office space. Part of the monthly lease payment for the premises is allocable to leasehold improvements. This portion of the rent has been recorded as a capital lease in an amount representing the present value of all future lease payments. The sum of the monthly payments for leasehold improvements is \$974,480. The present value was calculated using an interest rate of 4.6%, obtained from OMB Circular A-94, *Discount Rates for Cost Effectiveness, Lease Purchase and Related Analysis*.

The equipment capital lease is a photocopier that is under a lease to own agreement.

**INSTITUTE OF MUSEUM AND LIBRARY SERVICES**

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2008 and 2007

(in dollars)

Future Payments Due:

<u>Fiscal Year</u>	<u>2008</u>	
	<u>Asset Category</u>	
	<u>Leasehold Improvements</u>	<u>Canon Equipment</u>
2009	\$ 97,448	\$ 12,386
2010	97,448	-
2011	97,448	-
2012	97,448	-
2013	97,448	-
Beyond 5 years	146,172	-
Total Future Capital Lease Payments	<u>633,412</u>	<u>12,386</u>
Less: Imputed Interest	86,821	313
Net Capital Lease Liability	<u>\$ 546,591</u>	<u>\$ 12,073</u>
Lease liabilities covered by budgetary resources	\$ 546,591	\$ 12,073

<u>Fiscal Year</u>	<u>2007</u>	
	<u>Asset Category</u>	
	<u>Leasehold Improvements</u>	<u>Canon Equipment</u>
2008	\$ 97,448	\$ 12,386
2009	97,448	12,386
2010	97,448	-
2011	97,448	-
2012	97,448	-
Beyond 5 years	243,620	-
Total Future Capital Lease Payments	<u>730,860</u>	<u>24,772</u>
Less: Imputed Interest	113,734	1,185
Net Capital Lease Liability	<u>\$ 617,126</u>	<u>\$ 23,587</u>
Lease liabilities covered by budgetary resources	\$ 617,126	\$ 23,587

**INSTITUTE OF MUSEUM AND LIBRARY SERVICES**

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2008 and 2007

(in dollars)

Operating Leases:

IMLS has an occupancy agreement with GSA for office space occupied by the Institute. The term of the lease is from April 1, 2005, through March 31, 2015.

IMLS leases a postage meter. The lease term for the postage meter is 48 months ending July 2010. The operating lease for the photocopiers terminated February 2008.

Future Payments Due:

<u>Fiscal Year</u>	<u>2008</u>	
	<u>Asset Category</u>	
	<u>Office Space</u>	<u>Equipment</u>
2009	\$ 2,035,280	\$ 3,324
2010	2,058,917	2,493
2011	2,083,212	-
2012	2,108,338	-
2013	2,134,167	-
Beyond 5 years	3,259,722	-
Total Future Capital Lease Payments	<u>\$ 13,679,636</u>	<u>\$ 5,817</u>

<u>Fiscal Year</u>	<u>2007</u>	
	<u>Asset Category</u>	
	<u>Office Space</u>	<u>Equipment</u>
2008	2,012,332	11,533
2009	2,035,280	3,324
2010	2,058,917	2,493
2011	2,083,212	-
2012	2,108,338	-
Beyond 5 years	5,393,939	-
Total Future Capital Lease Payments	<u>\$ 15,692,018</u>	<u>\$ 17,350</u>

**INSTITUTE OF MUSEUM AND LIBRARY SERVICES**

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2008 and 2007

(in dollars)

**Note 9 Earmarked Funds**

IMLS has an earmarked fund for Gifts & Donations. The Treasury Symbol for this fund is 59X8080, Gifts and Donations, Institute of Museum Services. The DELPHI accounting system tracks the activity in this fund via a unique code.

<b>Balance Sheet as of September 30</b>	<b><u>2008</u></b>	<b><u>2007</u></b>
<b>ASSETS</b>		
Fund balance with Treasury	\$ 1,296,211	\$ 1,426,515
Investment	<u>—</u>	<u>—</u>
Total Assets	\$ <u>1,296,211</u>	\$ <u>1,426,515</u>
<b>LIABILITIES and NET POSITION</b>		
Cumulative Results of Operations	\$ <u>1,296,211</u>	\$ <u>1,426,515</u>
Total Liabilities and Net Position	\$ <u>1,296,211</u>	\$ <u>1,426,515</u>

**Statement of Net Cost for the  
Period Ended September 30**

Program Costs	\$ (464,961)	\$ 16,757
Less Resources	<u>334,657</u>	<u>(1,406,646)</u>
Excess of Donations Received Over Cost Incurred	\$ <u>(130,304)</u>	\$ <u>1,389,889</u>

**Statement of Changes in Net  
Position for the Period Ended  
September 30**

Net Position Beginning of Period	\$ 1,426,515	\$ 36,626
Change in Net Position	<u>(130,304)</u>	<u>1,389,889</u>
Net Position End of Period	\$ <u>1,296,211</u>	\$ <u>1,426,515</u>

**INSTITUTE OF MUSEUM AND LIBRARY SERVICES**

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2008 and 2007

(in dollars)

**Note 10 Intragovernmental Costs and Exchange Revenue by Program/Goal**

In 2006, IMLS changed its organizational structure and redesigned its Strategic Plan to enhance its ability to accomplish its mission of connecting people to information and ideas. Based on the new Strategic Plan, IMLS revised the agency's goals in the annual performance plan for the 2008 Budget of the United States Government. The IMLS has reflected those revised goals, and the related costs by goal, in the 2008 Statement of Net Cost and related notes. In accordance with generally accepted accounting principles, IMLS has reflected the change in accounting principles prospectively and has not restated its 2007 Statement of Net Cost.

**2008**

**Goal 1: Sustaining Heritage, Culture and Knowledge**

Intragovernmental costs	\$ 575,848
Public Costs	15,886,155
Less: Intragovernmental earned revenue	629,146
Less: Public earned revenue	—
Net Program Cost	<u>\$ 15,832,857</u>

**Goal 2: Enhancing Learning and Innovation**

Intragovernmental costs	\$ 1,184,491
Public Costs	189,767,062
Less: Intragovernmental earned revenue	—
Less: Public earned revenue	—
Net Program Cost	<u>\$ 190,951,553</u>

**Goal 3: Building Professional Capacity**

Intragovernmental costs	\$ 550,000
Public Costs	30,382,032
Less: Intragovernmental earned revenue	—
Less: Public earned revenue	—
Net Program Cost	<u>\$ 30,932,032</u>

Total Program Costs \$ 237,716,442

Intragov. costs not assigned to programs \$ 9,096,570

Public costs not assigned to programs 15,823,231

Total costs not assigned to programs \$ 24,919,801

**Net Costs of Operations** \$ 262,636,243

**2007**

Program Costs:	
Intragovernmental costs	\$ 5,305,365
Public Costs	253,109,872
Total Program Costs	<u>\$ 258,415,237</u>

Intragovernmental earned revenue \$ —

Public earned revenue —

Total Program earned revenue \$ —

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**Note 11 Suborganization Program Costs/Program Costs by Segment**

**2008**

<b>Program Costs:</b>	<b>Library-State Grants</b>	<b>Library-Other Grants</b>	<b>Museum Grants</b>	<b>Administrative</b>	<b>Total</b>
<b>Goal 1: Sustaining Heritage, Culture &amp; Knowledge</b>					
Gross Costs	\$ -	\$ 3,949,784	\$ 12,512,219	\$ -	\$ 16,462,003
Less: Earned Revenue	<u>-</u>	<u>-</u>	<u>629,146</u>	<u>-</u>	<u>629,146</u>
Net Program Costs	<u>\$ -</u>	<u>\$ 3,949,784</u>	<u>\$ 11,883,073</u>	<u>\$ -</u>	<u>\$ 15,832,857</u>
<b>Goal 2: Enhancing Learning &amp; Innovation</b>					
Gross Costs	\$ 163,335,499	\$ 13,848,871	\$ 13,767,183	\$ -	\$ 190,951,553
Less: Earned Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Program Costs	<u>\$ 163,335,499</u>	<u>\$ 13,848,871</u>	<u>\$ 13,767,183</u>	<u>\$ -</u>	<u>\$ 190,951,553</u>
<b>Goal 3: Building Professional Capacity</b>					
Gross Costs	\$ -	\$ 23,979,703	\$ 6,952,329	\$ -	\$ 30,932,032
Less: Earned Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Program Costs	<u>\$ -</u>	<u>\$ 23,979,703</u>	<u>\$ 6,952,329</u>	<u>\$ -</u>	<u>\$ 30,932,032</u>
Total Program Costs	\$ 163,335,499	\$ 41,778,358	\$ 32,602,585	\$ -	\$ 237,716,442
Costs not assigned to programs	\$ -	\$ 3,475,914	\$ 6,169,103	\$ 15,274,784	\$ 24,919,801
Less: Earned revenue not Attributed to programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cost of Operations	<u>\$ 163,335,499</u>	<u>\$ 45,254,273</u>	<u>\$ 38,771,687</u>	<u>\$ 15,274,784</u>	<u>\$ 262,636,243</u>

**2007**

<b>Program Costs:</b>	<b>Libraries</b>	<b>Museums</b>	<b>Administrative</b>	<b>Total</b>
Gross Costs	\$ 205,987,467	\$ 39,670,662	\$ 12,757,108	\$ 258,415,237
Less: Earned Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cost of Operations	<u>\$ 205,987,467</u>	<u>\$ 39,670,662</u>	<u>\$ 12,757,108</u>	<u>\$ 258,415,237</u>

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**Note 12 Exchange Revenue**

Exchange Revenue in the amount of \$509,146 is related to interagency agreements with the Department of Interior, National Park Service to issue and manage Save America's Treasures grants in accordance with appropriation language. The remaining exchange revenue is related to \$60,000 received from the National Endowment for the Arts and \$60,000 received from the National Endowment for the Humanities to support the Institute's Connecting to Collections, A Call to Action, national initiative to bring awareness to museums and libraries of the need for collections care.

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**Note 13 Apportionment Categories of Obligations Incurred**

The amount of direct and reimbursable obligations incurred against amounts apportioned under Category A, Quarterly, Category B, Annual, and Exempt from Apportionment as of September 30:

	No Year	Annual	Total
Obligations Incurred:			
Category A, Direct Obligations	\$ 1,957,789	\$ 13,985,379	\$ 15,943,168
Category B, Direct Obligations	6,220,960	249,515,700	255,736,660
Category B, Reimbursable	–	809,025	809,025
Exempt from Apportionment	<u>921,738</u>	<u>–</u>	<u>921,738</u>
Total obligations incurred	<u>\$ 9,100,487</u>	<u>\$264,310,104</u>	<u>\$273,410,591</u>

**2007**

	No Year	Annual	Total
Obligations Incurred:			
Category A, Direct Obligations	\$ 11,135,269	\$ –	\$ 11,135,269
Category B, Direct Obligations	246,600,218	5,084	246,605,302
Category B, Reimbursable	1,173,683	–	1,173,683
Exempt from Apportionment	<u>402,789</u>	<u>–</u>	<u>402,789</u>
Total obligations incurred	<u>\$259,311,959</u>	<u>\$ 5,084</u>	<u>\$259,317,043</u>

**Note 14 Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government**

The President's Budget, which includes actual numbers for fiscal year 2008, has not yet been published. Actual numbers for fiscal year 2008 will be included in the President's Budget for fiscal year 2010 around February 5, 2009. The budget can be found at <http://www.whitehouse.gov/omb> when it becomes available.

No material differences exist between the amounts reported in the FY 2007 Statement of Budgetary Resources and the 2007 actual amounts reported in the Budget of the United States Government.

**INSTITUTE OF MUSEUM AND LIBRARY SERVICES**

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**Note 15 Undelivered orders at the end of the period**

	<u>2008</u>	<u>2007</u>
Undelivered orders as of September 30:		
Administrative	\$ 1,524,253	\$ 589,269
Program	<u>298,710,120</u>	<u>294,217,481</u>
Total undelivered orders	<u>\$ 300,234,373</u>	<u>\$ 294,806,750</u>

**Note 16 Incidental Custodial Collections**

	<u>2008</u>	<u>2007</u>
Income from IMLS projects funded in prior years	<u>\$ 64,229</u>	\$ —
Disposition of collections:		
Transferred to Treasury (general fund)	<u>\$ 64,229</u>	\$ —
Net custodial revenue activity	<u>\$ —</u>	<u>\$ —</u>

**Note 17 Explanation of Differences Between Liabilities Not Covered by Budgetary Resources and Components Requiring or Generating Resources in Future Periods**

Components that comprise liabilities not covered by budgetary resources represent the cumulative balance of the liability. By contrast, components requiring or generating resources in future periods included in the reconciliation of net cost of operations to budget represent the change in the liability created in the current year.

**INSTITUTE OF MUSEUM AND LIBRARY SERVICES**

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**Note 18 Reconciliation of Net Cost of Operations to Budget**

	<u>2008</u>	<u>2007</u>
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated		
Obligations incurred	\$ 273,410,591	\$ 259,317,043
Less: Spending authority from offsetting collections and recoveries	(6,324,009)	(4,312,482)
Less: Offsetting Receipts	<u>(64,229)</u>	<u>—</u>
Obligations net of offsetting collections and recoveries	\$ 267,022,353	\$ 255,004,561
Other Resources		
Imputed financing from costs absorbed by others	<u>349,280</u>	<u>485,256</u>
Total resources used to finance activities	\$ 267,371,633	\$ 255,489,817
<b>Resources Used to Finance Items not Part of the Net Cost of Operations:</b>		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided (+/-)	\$ (5,127,743)	\$ 2,963,512
Resources that fund expenses recognized in prior periods	—	—
<b>Budgetary offsetting collections and receipts that do not affect net cost of operations:</b>		
Other	64,229	—
Resources that finance the acquisition of assets	<u>—</u>	<u>(149,082)</u>
<b>Resources used to finance items not part of the net cost of operations</b>	<b>(5,063,514)</b>	<b>2,814,430</b>
<b>Resources Used to Finance the Net Cost of Operations:</b>	<b>\$ <u>262,308,119</u></b>	<b>\$ <u>258,304,247</u></b>
<b>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</b>		
Components Requiring or Generating Resources in Future Periods:		
Increase in annual leave liability	\$ 162,261	\$ (401)
Other (+/-)	<u>39,117</u>	<u>—</u>
Total Components of net cost of operations that will require or generate resources in future periods	201,378	(401)
<b>Components not Requiring or Generating Resources:</b>		
Depreciation and amortization	126,005	112,132
Other (+/-)	<u>741</u>	<u>(741)</u>
Total Components of Net Cost of Operations that will not require or generate resources	126,746	111,391
Total components of net cost of operations that will not require or generate resources in the current period	\$ <u>328,124</u>	\$ <u>110,990</u>
<b>Net Cost of Operations</b>	<b>\$ <u>262,636,243</u></b>	<b>\$ <u>258,415,237</u></b>

*Summary of Financial Statement Audit and Management Assurances*

**Table 1.**  
Summary of Financial Statement Audit

Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New ✓	Resolved	Consolidated	Ending Balance
1. Statement of Net Cost – Allocating Expenses and Revenues by Major Programs/Goals					
<i>Total Material Weaknesses</i>	0	1	0	0	0

**Table 2.**  
Summary of Management Assurances

<b>Effectiveness of Internal Control over Financial Reporting (FMFIA 2)</b>						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New ✓	Resolved	Consolidated	Reassessed	Ending Balance
1. Statement of Net Cost – Allocating Expenses and Revenues by Major Programs/Goals						
<i>Total Material Weaknesses</i>	0	1	0	0	0	0
<b>Effectiveness of Internal Control over Operations (FMFIA 2)</b>						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None						
<i>Total Material Weaknesses</i>	0	0	0	0	0	0
<b>Conformance with financial management system requirements (FMFIA 4)</b>						
Statement of Assurance	Systems conform to financial management system requirements					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None						
<i>Total Material Weaknesses</i>	0	0	0	0	0	0
<b>Compliance with Federal Financial Management Improvement Act (FFMIA)</b>						
	<u>Agency</u>		<u>Auditor</u>			
Overall Substantial Compliance	N/A		N/A			
1. Systems Requirements	N/A		N/A			
2. Accounting Standards	N/A		N/A			
3. USSGL at Transaction Level	N/A		N/A			