



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

Performance and Accountability Report

Fiscal Year 2010

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Message from the Acting 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 fiscal year (FY) 2010. The report sets forth the agency's goals and objectives and highlights agency programmatic, operational, and financial performance for the past year.

IMLS, 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.

In FY 2010, IMLS made 778 grants for a total of \$266,647,318 to eligible institutions, which include 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. In addition, agency research, evaluation, policy analysis, and partnerships help make it possible for libraries and museums to be leaders in their communities

FY 2010 was the second full year of consolidation of disparate library-related data collection and policy analysis functions from the Department of Education and the National Commission on Libraries and Information Sciences into IMLS. This year IMLS completed its third large study since the consolidation, *Opportunity for All: How the American Public Benefits from Internet Access at U.S. Libraries*. We also expanded our work on museums, libraries, and 21st century skills and partnered with the Department of Labor to encourage beneficial collaborations between libraries and the public workforce system. These and other special leadership initiatives are described in the pages that follow.

Deep community connections allow museums and libraries to focus on real needs such as fighting childhood obesity and substance abuse, supporting homeless families and teen parents, meeting needs of the unemployed and immigrant communities, addressing climate change, and providing help to people with disabilities. Examples of IMLS-supported projects in all of these areas and more are included in this report.

Fiscal responsibility and accountability remain a top priority at IMLS. In FY 2010, we continued to build upon our significant accomplishments, which included strengthening our accounting and financial systems and clarifying the agency's mission and performance goals. This allowed the agency to integrate performance and budget more consistently. We have strengthened information technology systems, financial management systems, and human capital development.

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.

Sincerely,

A handwritten signature in blue ink that reads "Marsha L. Semmel". The signature is written in a cursive style with a large initial 'M' and a long, sweeping underline.

Marsha L. Semmel
Acting 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 authorized by the Museum and Library Services Act and the National Museum of African American History and Culture Act.

Mission: Connecting People to Information and Ideas

IMLS 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 123,000 libraries and 17,500 museums play a fundamental role in creating vibrant, energized communities that help Americans do just that.

As stewards of cultural heritage, museums and libraries have traditionally helped Americans to experience, explore, discover, and make sense of the world. Today, these institutions use the tools of the 21st 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, technical support, 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

An IMLS-supported study documented 1.2 billion visits by adults to U.S. museums and 1.3 billion visits to libraries in 2006, with over half of those visits online. It also found that libraries and museums are the most trusted sources of online information among adults of all ages, education levels, races, and ethnicities. Libraries and museums rank higher in trustworthiness than all other information sources including government, commercial, and private Web sites. The study shows that the public trust of museums and libraries migrates to the online environment. With such wide geographic distribution, and high levels of use and public trust, libraries and museums are well positioned to make a difference in their communities and in the nation.

Lifelong learning is fundamental to our nation's success. To remain competitive the United States must recognize that formal schooling is only one part of the learning continuum. Thanks to a combination of public and private investment, U.S. libraries and

museums are an expansive network of public and nonprofit institutions dedicated to the democratic promise of a free flow of information and ideas for the public good. The brilliant variety of libraries and museums that support learning in school, out of school, and from infancy to old age is one of the hallmarks of American education.

Organizational Structure

IMLS, an independent federal agency established in 1996, brings together federal library programs, first established in 1956, and federal museum programs established in 1976. The agency supports library and museum services in the United States through population-based state formula grants for libraries, peer-reviewed competitive discretionary grants, cooperative agreements, and partnerships that support both libraries and museums. Libraries and museums use federal funds and leadership provided by IMLS to leverage additional private sector support. Many IMLS grants require a grantee match. IMLS's leadership initiatives have attracted other private sector assistance and resulted in millions of dollars of additional support for 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 Institute consists of the Office of Museum Services; Office of Library Services; Office of the Chief Financial Officer, Office of the Chief Information Officer; Human Resources; Policy, Planning, Research, and Communications; General Counsel; and Strategic Partnerships.

The NMLSB is a twenty-three-member advisory body that includes the Institute Director, its deputy director for libraries and deputy director for museums, and twenty presidentially- appointed, Senate-confirmed individuals with 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 agency'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 IMLS progress appear in the annual budget and the Performance and Accountability Report. The Institute's Director, in consultation with the NMLSB, IMLS agency management, the Office of Management and Budget (OMB), and Congress, sets the overall strategic goals and objectives.

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 for library and museums;
- knowledge-sharing activities (conferences, Web sites, publications);
- 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 that meet the broad needs of museums, libraries, and related organizations, according to IMLS's underlying authorization.

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. Expert peer-reviewers who are not Institute employees then assess the applications. The Institute's well-respected peer review process is central to its grant making function. The success of the grant programs is due largely to the contributions of the peer-reviewers, who dedicate their time and expertise. 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 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 the peer review, IMLS program managers analyze project budgets and negotiate as necessary. The IMLS director makes awards after reviewing recommendations. Successful applicants must comply with applicable federal laws, regulations, and circulars. IMLS informs each grant recipient of the award's terms and conditions. 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 match the approved proposal.

Grants to States Program

The IMLS Library Grants to States program is a population-based formula award to each State Library Administrative Agency (SLAA) in the 50 states, the District of Columbia, Puerto Rico, the Virgin Islands, American Samoa, Guam, and the Northern Mariana Islands. IMLS works with the SLAAs on program accountability so that the SLAAs can individually identify and develop strategies that address their state's specific library needs. Each SLAA is required by statute to submit five-year state plans, evaluations, and annual reports detailing expenditures and outcomes. Additionally, IMLS hosts an annual conference for SLAA program administrators to build skills in program administration, including grants and fiscal management and accountability; and to provide an opportunity for knowledge sharing. IMLS staff visit the SLAAs regularly to monitor program administration at both the grantee and subgrantee levels and to assist SLAAs in the sound

program management. Further, SLAA program administrators have 24/7 access to a Web site about program requirements and guidance.

In addition, the Museum and Library Services Act created, within this program, a competitive grant program for the Pacific Region territories and freely associated states. IMLS holds a workshop every other year for this group and they have 24/7 access to online program guidance.

Policy Analysis, Data Collection, Program Evaluation

In FY 2008 responsibility for national public library and state library data collection efforts was transferred to IMLS from the Department of Education. In addition, responsibility for policy advice on library and information services was transferred from the former National Commission on Libraries and Information Science. In response and in accordance with its underlying statutory authority to “analyze trends, evaluate programs and share best practices,” IMLS established an Office of Policy, Planning, Research, and Communications to collect and analyze data on museum and library practice and policy.

Since then, IMLS has completed three large studies: *A Catalyst for Change: Library Services and Technology Act Grants to States and the Transformation of Library Services in the United States* (www.ims.gov/pdf/CatalystForChange.pdf), an analysis of its largest library grant program; *Exhibiting Public Value: Government Funding for Museums in the United States* (www.ims.gov/pdf/MuseumPublicFinance.pdf), the first major review of public finance for the museum sector; and the aforementioned *Opportunity for All: How the American Public Benefits from Internet Access at U.S. Libraries*. These three studies make clear that libraries and museums are highly valued community institutions with the capacity to contribute significantly to the nation’s educational and civic life.

IMLS efforts to make public library and state library data collection more timely and easier to use have met with great success. IMLS has published the first ever national analysis of these surveys in two briefs. (www.ims.gov/pdf/Brief2010_02.pdf and www.ims.gov/pdf/Brief2010_01.pdf). IMLS has attached geocodes and locality codes to the public library survey data enabling many secondary analyses. For example, an analysis of locations of public libraries and locations of workforce One-Stop locations found that 37 percent of distressed counties in the United States had a public library but no One-Stop location. This data helped to inform policy decisions about the National Broadband Plan as well as the IMLS/DOL partnership. Data about public library locality codes has helped inform FCC strategy on calculating rural discounts for the E-rate program.

The lack of a comprehensive database of museums makes it difficult to assess the impact of agency grant making. For example, the Institute cannot estimate the percentage of eligible museums that apply to its grant programs or establish basic museum service metrics, such as county or state per capita museum access indicators, without a reliable institutional baseline.

IMLS's museum database project, launched in FY 2010, will build a comprehensive, real-time, online database of U.S. museums. This project will provide the agency and the museum community with the data necessary for policy analysis and for greater accountability in museum grant making. The Web-based system will allow for real-time updates from museums and reduce the burden and overall cost of a census type data collection.

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

Leadership Activities

In addition to its grants to individual institutions and organizations IMLS has several national initiatives that highlight the traditional and evolving roles of libraries and museums. Each initiative is solidly grounded in the agency's strategic plan and addresses agency goals.

IMLS and Department of Labor Partnership

Through communications, grant making, and federal partnerships, IMLS supports libraries in their roles as "first responders" in the economic downturn. Job seekers have turned to libraries in record numbers for assistance in looking for and applying for work, using e-government services, and developing new businesses. IMLS issued a series of podcast interviews with chief state library officers in five states who described how libraries were stepping up to meet new needs. Many libraries are working in cooperation with state workforce organizations.

Recognizing that throngs of job seekers were using the library for support, on June 29, 2010, IMLS and the Employment and Training Administration (ETA) at the U.S. Department of Labor announced a partnership to encourage the workforce investment system and public libraries to work together to improve the quality of employment and training service to job seekers and unemployed individuals. The Assistant Secretary released a training and education notice to the entire public workforce system encouraging work with public libraries.

IMLS and ETA have hosted webinars with the National Governors Association and other private partners to help public libraries and the workforce system share data, best practices, and tools. In addition, IMLS has awarded two grants to WebJunction, an online learning community, and the State Library of North Carolina for Project Compass, which assesses the needs of libraries and provides workforce development

training for librarians. Project Compass has supported training and assessment opportunities for every state library, and in the coming year it will offer local training opportunities in high-need areas for nearly 2,000 librarians.

IMLS will work with other federal agencies on developing better e-government related services such as filing taxes, applying for citizenship, enrolling children in schools, and applying for social services – activities that increasingly take place at the public library.

21st Century Skills, Competitive Workforce, Engaged Citizens

President Obama has called for the development of 21st century skills, including problem-solving, critical thinking, entrepreneurship, and creativity. Combining traditional strengths in creating powerful learning experiences with strategic investment in modern communications infrastructures, libraries and museums are trusted institutions that are well equipped to build those skills.

As part of this effort, IMLS worked with over 100 museum and library experts and representatives from the private sector and education to produce *Museums, Libraries, and 21st Century Skills*. The publication and companion Web site (www.ims.gov/about/21stCSkills.shtm) provide a framework for museums and libraries to align their programs and services to deliver 21st century skills and outline possibilities for broader community partnerships and engagement.

Since its release in August 2009, the publication has been received with great enthusiasm: more than 10,000 copies have been distributed. Success stories range from individual institutions to statewide initiatives that use the framework as a strategic planning tool. Especially in a time of economic stress, smart planning is needed to align programs and services where they are needed most.

IMLS is continuing a robust dissemination, training, and communications effort to raise awareness and encourage action around 21st century skills. This involves grant making with a 21st century skills focus as well as outreach to federal, state, and local policymakers.

In addition, IMLS has launched *Making the Learning Connection*, an eight-city tour to spotlight success stories and identify barriers to success. *Making the Learning Connection* workshops bring together museum and library leaders with representatives from local community foundations, the United Way, AARP, the K-12 system, and university and community college representatives on communities' 21st century learning needs.

These workshops build on IMLS's long history of supporting collaborative activity among libraries, museums, and other community partners with significant results. A recent letter from the mayor of Guilford, Maine describes a common experience: "We had a library, a historical society, a school, an economic development board, and, obviously, even a town office; but it was this project that showed us the interdependence among all these separate groups and caused us to work together for the benefit of all."

America Works

IMLS is partnering with the American Folklife Center (AFC) at the Library of Congress and the American Folklore Society on *America Works: Documenting the Transformation of Work in American Life*. This project will document and provide a portrait of America's workforce and its challenges in the first decades of the 21st century.

A major database of oral histories will be established at the AFC, documenting the experiences of contemporary American workers, the meaning and value of work, and the transformation of the American workplace. In addition, the project will develop community-based projects anchored in museums and libraries. The project will also develop a nationwide roster of trained ethnographers, folklorists, historians, and other experts and resources for communities to use in the collection and preservation of the oral histories.

IMLS and STEM

The 21st century skills initiative also focuses on STEM (science, technology, engineering, and mathematics), a priority for the President. In his speech to the National Academies of Science, President Obama challenged all Americans to make STEM education a national priority. He announced a series, "Educate to Innovate" to highlight public/private partnerships to advance this goal. IMLS is working with the White House Office of Science and Technology policy to highlight ongoing IMLS support for library and museum STEM programming and to leverage private support.

Working with the John D. and Catherine T. MacArthur Foundation, IMLS will help library and museum professionals to develop effective STEM programs by disseminating research, design, and programming principles and funding demonstration projects, including a national competition to create 30 new learning labs in libraries and museums. Recognizing that a real change in science education requires the participation of many national and community partners, the John S. and James L. Knight Foundation, the Pearson Foundation, the New York Community Trust, the Chicago Community Trust, the Mozilla Foundation, and the Grable Foundation, will provide resources to support the design and construction of the new learning labs. In addition, organizations such as the Boys and Girls Clubs, National 4-H, Makers Faire, FabLab, Boy Scouts, and Girl Scouts will be eligible as local partners to the libraries and museums and become hubs for youth engagement, creativity, and learning.

IMLS support also encourages innovations like the development of new finding tools, including a project that was recently highlighted at a White House meeting on ideation, and widgets and apps to bring homework help to students' social networks. National Leadership Grants fund open-source systems, which can increase efficiency and information sharing and save communities millions of dollars. IMLS also participated in the planning for the National Research Council's study, *Learning Science in Informal Environments: People, Places and Pursuits* (2009), which describes how people learn in informal environments, synthesizes the state of knowledge about learning in informal environments, and articulates a common framework for new research. The Institute also

participated in the study's companion volume, *Surrounded by Science: Learning Science in Informal Environments* (2010).

The Future of Libraries and Museums: The UpNext Wiki

IMLS published *The Future of Libraries and Museums: A Discussion Guide* (www.ims.gov/pdf/DiscussionGuide.pdf) in 2009. The guide was based on a two-day conversation among library and museum leaders, educator, economists and technologists who came together at the behest of the National Academies of Science and IMLS to discuss the future delivery of library and museum services. IMLS also launched the UpNext Wiki (<http://imlsupnext.wikispaces.com/>) in spring 2010. Library and museum experts lead discussions on how library and museum services will be impacted by technology, education reform, and society and economic changes and also how delivery of those services must change.

Connecting to Collections: A Call to Action

In 2005 IMLS, together with Heritage Preservation, released the Heritage Health Index. The report was an in-depth look at the state of collections in U.S. libraries, archives, museums, historical societies, and scientific organizations. The results were sobering:

- 190 million objects held by archives, historical societies, libraries, museums, and scientific organizations in the United States are in need of conservation treatment.
- 65 percent of collecting institutions have experienced damage to collections due to improper storage.
- 80 percent of collecting institutions do not have an emergency plan that includes collections, with staff trained to carry it out.
- 40 percent of institutions have no funds allocated in their annual budgets for preservation or conservation.

In response to these findings, IMLS launched *Connecting to Collections: A Call to Action* in 2007. Since that time, IMLS has engaged dozens of public and private partners and reached thousands of museum and library professionals with resources and technical assistance to care for endangered collections.

Connecting to Collections included visits to four U.S. cities and Washington D.C.; IMLS's co-sponsorship of the Salzburg Global Seminar, *Connecting to the World's Collections*; the distribution of nearly 3,000 sets of essential texts on collections care; the awarding of more than 60 grants for statewide collaboration on collections care; and the creation of American Heritage Preservation Grants (AHPG). AHPG is a partnership between IMLS and the Bank of America Foundation that has provided 107 grants to museums, libraries, and archives for specific conservation or preservation projects.

This initiative's education and training activities continue with with a series of webinars, book club discussions and the recent publication of a *Report to the Nation* (www.ims.gov/pdf/CtoCReport.pdf), which examines the impact of the *Connecting to Collections* initiative.

Libraries and Broadband

The role of libraries in delivering 21st century skills is underscored by the fact that nearly one-third of Americans age 14 or older – roughly 77 million people – used a public library computer or wireless network to access the Internet in the past year, according to a national report released by IMLS and the Bill and Melinda Gates Foundation in March 2009. People relied on library technology to find work, apply for college, secure government benefits, learn about critical medical treatments, and connect with their communities.

The report, *Opportunity for All: How the American Public Benefits from Internet Access at U.S. Libraries* (www.ims.gov/pdf/OpportunityForAll.pdf), was based on the first, large-scale study of users of public computers and Internet access in public libraries, the ways library patrons use this free technology service, why they use it, and how it affects their lives.

Low-income adults are more likely to rely on the public library as their sole access to computers and the Internet than any other income group. Overall, 44 percent of people living below the federal poverty line used computers and the Internet at their public libraries. However, library computer use was also significant among people with access at home or work. In fact, two-thirds of library computer users reported that they had access elsewhere.

Americans across all age groups reported they used library computers and Internet access. Teenagers are the most active users. An estimated fifty percent of US 14- to 18-year-olds used a library computer at least once during the past year, typically to do school work. The use of library technology had significant impact in four critical areas: employment (30 million people), education (12 million), health (28 million), and making community connections (43 million). Unfortunately, up to a third of all libraries say they lack even minimally adequate Internet connections to meet demand. More report that they cannot provide the access their patrons need.

The release of the data coincided with the release of the National Broadband Plan, which recognized the important role of libraries in digital inclusion and adoption. The plan's recommendations include the following:

IMLS should develop guidelines to ensure that librarians and CBOs have training they need to help patrons use next-generation e-government applications.

IMLS should develop guidelines for public access technology based on populations served and organization size. These guidelines would help libraries and CBOs assess their needs for public access workstations, portable devices and bandwidth.

IMLS should work with these organizations to develop guidelines and review them annually to reflect changing technology and practices.

In FY 2010, IMLS worked with the University of Washington and the International City/County Management Association (ICMA) on a framework for digitally inclusive communities, announced in October 2010.

IMLS is also working with the National Telecommunications and Information Administration (NTIA) on broadband and stimulus funding. Once awards have been made, NTIA and IMLS will share data collection strategies and support communications efforts to encourage knowledge sharing among state library stimulus grantees and with the larger library community.

National Book Festival Pavilion of the States

In September 2010, for the tenth consecutive year, IMLS helped host the National Book Festival's Pavilion of the States on the National Mall. Representatives from state libraries and Centers for the Book throughout the country gathered in the nation's capital to promote literacy, the love of reading, and the literary traditions of the 50 states, the District of Columbia, and the U.S. territories.

National Medals for Museum and Library Service

The Institute annually honors museums and libraries that make extraordinary civic, educational, economic, environmental, and social contributions to their communities. These National Medals for Museum and Library Service showcase the vital role of museums and libraries in American society. They are the nation's highest honor for libraries and museums that make their communities better places to live.

WebWise

The annual WebWise conference is a signature initiative of IMLS. Each year it brings together representatives of museums, libraries, archives, systems science, education, and other fields interested in the future of high quality online content for inquiry and learning. The conference highlights recent research and innovations in digital technology, explores their potential impact on library and museum services, and promotes effective museum and library practices in the digital environment. It also offers recipients of IMLS technology-based grants the opportunity to showcase exemplary projects.

Brief Analysis of Financial Statements

As discussed above, underlying the agency's many programmatic achievements is its commitment to organizational excellence and sound financial management.

The agency has continued to maintain a high level of financial oversight, and its auditor, Leon Snead & Company, has issued an unqualified opinion on the agency's FY 2010 financial statements. The audit has identified no findings as of and for the year ended September 30, 2010. The auditor's review of the FY 2009 finding indicates that the condition has improved to the extent to which the auditor feels the finding has been fully satisfied. Additional progress has been made on the finding for FY 2007. The status of these findings is discussed below in the management assurances section.

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 Generally Accepted Accounting Principles (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 recognizes 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 2010, the agency benefited from several opportunities to review its internal controls and make needed improvements. The auditor reviewed the agency's management controls. During the initial assessment phase of the audit it undertook a comprehensive evaluation of our systems and procedures, noting no exceptions.

Progress on Findings

FY2009

Third quarter testing by the auditor resulted in one finding: IMLS's process used to record transactions funded by intragovernmental agreements does not ensure the timely matching of revenue and related expenses. IMLS processes payments on grants funded by reimbursable agreements through the Enterprise Service Center (ESC) Accounts Payable. An ESC accountant then reviews transactions periodically to identify the reimbursable payments and processes a journal voucher to post the revenue entries to the general ledger. This process excludes the ESC Accounts Receivable function, which

would normally ensure that billings and collections occur in a timely manner to ensure proper matching of the revenues and associated expenses.

During the initial phase of testing of IMLS records as of and for the quarter ended June 30, 2010, the auditors obtained and reviewed the updated, written procedures for processing reimbursable expenses and related revenues. Tests indicated the procedures have been properly designed to provide reasonable assurance that revenues and expenses would be matched timely. As a result, corrective action was completed on this finding.

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.

IMLS has made additional progress in resolving its systems controls and security issues but continues to update policies, procedures, and other documentation and security features. Outstanding systems issues are tracked on the agency's Plan of Actions and Milestones. Because IMLS uses service providers for all of its financial management systems, and those service providers are responsible for most of the controls related to those systems, the issues that IMLS tracks in its POA&M pose little or no risk to the IMLS financial statements.

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 (CFO), was established by the Director to consider accountability and controls annually within the broader context of agency operations. The Senior Assessment Team reviewed the agency's financial management, grants management, contracting and procurement, and human resources activities.

Consistent with operating procedures and pursuant to the Federal Managers' Financial Integrity Act of 1982 (FMFIA), the Senior Assessment Team 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, IMLS managers were asked to exercise close scrutiny over all operations when conducting the reviews and to provide written statements of their findings.

Agency managers work closely with the CFO in developing and monitoring their program expenditures. 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 2010 the agency continued its progress.

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 2010 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:

IMLS 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 and efficiency of operations and its 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, 2010 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 its internal control over financial reporting as of September 30, 2010 was operating effectively and that no additional material weaknesses were found in the design or operation of the internal control over financial reporting.

Measuring Performance

FY 2010 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 IMLS provides leadership is by helping institutions identify the best ways to create and provide access to their digital resources.

FY 2010 Targets	Progress toward targets
<p>1,000 small and medium-sized museums and libraries receive the “conservation bookshelf” to support comprehensive care of their collections.</p>	<p>1,993 small and medium-sized U.S. museums and libraries receive the conservation bookshelf; 100 additional copies provided to international museums and libraries. To date, 3,000 bookshelves have been distributed.</p>
<p>IMLS hosts regional conferences in two regions addressing high priority needs identified in Health Heritage Index. Over 350 representatives from libraries and museums attend.</p>	<p>Following on regional conferences that occurred in 2008 and 2009, IMLS initiated a series of workshops and webinars. 141 persons participated in two “Raising the Bar” workshops in Baltimore, MD, and Davenport, IA. Webinars are planned for additional outreach. To date more than 1,300 people have participated in IMLS conferences and workshops on collections care.</p>
<p>The Institute provides planning grants to all states to undertake collaborative activity to address needs identified in Health Heritage Index. (The remaining states receive grants the following year.)</p>	<p>Every state and seven territories have now received planning grants (15 in 2010). In addition, five states received implementation grants based on the work accomplished through their previous planning grant awards.</p>
<p>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.</p>	<p>106 Conservation Assessment Program grants; 33 Conservation Project Support grants; 52 Museums for America grants; two 21MP grants.</p>

<p>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.</p>	<p>Six grants provided to African American museums/ cultural institutions that involved collection care and conservation activities, allowing related professional development for 13 staff members and additional volunteers and student interns.</p>
<p>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.</p>	<p>18 libraries will undertake preservation activities through nine National Leadership Grant awards (28% of NLG grants to libraries).</p>
<p>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.</p>	<p>23 institutions (7 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 involved partners, increasing the number of institutions that will benefit.</p>
<p>25 grants for Native American Library Services provide digitization training and planning for library staff.</p>	<p>23 of the 221 NALS Basic Grants have a digitization training/planning component that is clearly stated. Others will probably receive some kind of digitization training during attendance at various workshops and conferences funded by the Education/Assessment Option portion of the Basic Grants.</p> <p>6 out of the 17 total NALS Enhancement grants awarded in 2010 provide digitization training and planning for library staff</p>
<p>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.</p>	<p>8 out of a total of 17 NALS Enhancement grants awarded in 2010 support tribal cultural preservation.</p>

Selected 2010 IMLS-funded Grants that Support Goal 1

American Museum of Natural History – New York, NY

Amount: \$135,060

Grant Program: Conservation Project Support

The American Museum of Natural History will use grant funds to conserve an irreplaceable collection of totem poles and other large-scale carvings contained in its Hall of Northwest Coast Indians, which includes displays from the major peoples of the Northwest Coast, including the Nuu-chah-nulth (Nootka), Coast Salish, Kwakwaka'wakw (Kwakiutl), Nuxalk (Bella Coola), Kwakwaka'wakw, Tsimshianic Peoples (Tsimshian), Tlingit, and Haida. The museum will conserve 16 carvings that can be accommodated in the Anthropology Division's objects conservation laboratory. These treatments will address both the structural instability and surface appearance of the objects, with the first emphasis being the stabilization of the artifacts so they can be safely maintained.

Association of Research Libraries – Washington, DC

Amount: \$464,286

Grant Program: National Leadership Grants

The Association of Research Libraries, in partnership with Ithaka S+R, will study how libraries, archives, and museums are sustaining digital collections. This study will provide actionable recommendations, best practices, and planning tools to help project leaders in higher education, public libraries, museums, historical societies, and other organizations plan for sustaining their own digital projects. The study builds upon past work done by Ithaka S+R. Project activities under this cooperative agreement will include a literature review, focused interviews, an online survey of leaders and project staff in selected cultural heritage organizations managing digital collections, and case studies. The study's final report of lessons learned, recommendations, and case studies will be shared through the partners' Web sites; through a media distribution plan; and through a series of conference presentations, talks, and workshops.

California Association of Museums – Santa Cruz, CA

Amount: \$250,000

Grant Program: Connecting to Collections Statewide Grants - Implementation

In partnership with the California Historical Society, California State Archives, California State Library, California State Parks, and California Library Association, the California Association of Museums will undertake a statewide preservation information, education, and training project, the California Preservation Assistance Service (CPAS). CPAS will deliver the following services to the California heritage community: a 24/7 collection emergency hotline, plus e-mail and telephone reference; eight two-day workshops on institutional disaster preparedness and response; eight "disaster networking" workshops using scenario planning; four preservation project design workshops; a collections stewardship campaign targeted to trustees; and a project Web site. CPAS will be a test bed for an ongoing service, whose goal will be to develop a self-sustaining culture of preservation management in California heritage institutions.

Nebraska Historical Society – Lincoln, NE

Amount: \$40,000

Grant Program: Connecting to Collections Statewide Grants - Planning

The Nebraska State Historical Society, Nebraska Library Commission, State Historical Records Advisory Board, Nebraska Arts Council, Nebraska Humanities Council, and all-volunteer Nebraska Museums Association and Nebraska Library Association will collaborate in the development of a plan that will engage representatives of collections-holding institutions across the state. Building on a strong foundation, the partners will undertake an analysis of existing data, a survey to fill data gaps, a statewide planning meeting to draft a plan using open-source technology, regional meetings to allow broader input and response, and drafting and promulgation of a plan of action. Strategies to support implementation and overcoming impediments will be developed to create a systemic response to collections care issues across the state.

Pacific Asia Museum – Pasadena, CA

Amount: \$48,144

Grant Program: Conservation Project Support

Pacific Asia Museum will use grant funds to safeguard its noted collection of Asian ceramics from the effects of seismic activity. The project will safely house approximately 300 works, the balance of the museum's ceramics collection that remains at risk in its storage facility. In this earthquake-prone region, this is considered by conservation specialists to be the collection's most urgent conservation need. The museum will install an additional compact storage unit designed to protect works from the kind of motion associated with seismic events. With this substantial layer of protection, these fragile works' useful lives will be extended, providing the public with greater access to them.

Pueblo of Jemez - Jemez Pueblo, NM

Amount: \$150,000

Grant Program: Native American Library Services

The Jemez Pueblo Community Library in Jemez, NM, is undertaking a multifold project focusing on the preservation of the Towa language and Jemez Pueblo culture, traditions, and knowledge. The new "Towa Cultural Resource Center" in the library will serve as a centralized place to collect, house, and make resources available to tribal members. In collaboration with the Jemez Language Team and Cultural Preservation Officer, the library will offer quarterly workshops on cultural topics. Library staff will be trained by the local PBS affiliate TV station on how to create short videos and audio. These shorts will be produced in Towa, targeting children in early childhood to eighth grade, and based on the Towa Language and Culture School Curriculum already in place. The library will also participate in the SPARK Initiative (Supporting Partnerships to Assure Ready Kids) for children transitioning from preschool to kindergarten, in partnership with other local service agencies.

Texas State Library and Archives Commission – Austin, TX

Amount: \$674,270

Grant Program: Laura Bush 21st Century Librarian Program

The Texas State Library and Archives Commission will lead a team of partners representing statewide collaborative projects (American Association for State and Local

History, Clemson University [SC]; Florida Association of Museums; Maine State Museum; Newark Museum [NJ]; Washington State Library; Oklahoma Department of Libraries; South Dakota State Historical Society; Board of Library Commissioners for the Commonwealth of Massachusetts) that will work with IMLS to develop the Connecting to Collections Continuing Conversation Exchange, a series of meetings planned, managed, and hosted by recipients of Connecting to Collections Statewide Planning Grants. This project will add value to the Connecting to Collections Initiative, expanding opportunities for continuing professional development for 300 librarians and cultural heritage experts responsible for statewide collections.

University of Maryland – College Park, MD

Amount: \$149,719

Grant Program: Museum Grants for African American History and Culture

The David C. Driskell Center for the Study of the Visual Arts and Culture of African Americans and the African Diaspora at the University of Maryland will document Professor Driskell's one-of-a-kind archive, assembled for more than six decades and consisting of an estimated 50,000 objects. IMLS funds will be used to hire an archivist and two graduate student interns, as well as a consulting archivist to guide the process. The archivist will develop procedures for inventorying and accessing the collection, supervise students in data entry, and write a manual of procedures to be used by the Center's future students, archivists, and staff. Accessibility to the archives will be enhanced through an online program, thus increasing outreach and exchange of ideas with the surrounding community as researchers and arts professionals.

Goal Two: Enhancing Learning and Innovation

Success in today's society requires information literacy, 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 these 21st century skills. 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.

FY10 Targets	Progress toward targets
<p>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.</p>	<p>Although the majority of states use LSTA funds to support summer reading programs, there is incomplete data and inconsistency in reported data for this target because public library summer reading programs funded with LSTA through a SLAA vary greatly in the ways in which they are developed, implemented, and evaluated. Related to this target, the National Leadership Grant Program funded a three-year study of summer reading programs that culminated in the 2010 publication of <i>The Dominican Study: Public Library Summer Reading Programs Close the Reading Gap</i>.</p>
<p>State Library Administrative Agencies (SLAA) provide 4000 subgrants to support local programming and services in public libraries.</p>	<p>The number of subgrants varies from year to year based on SLAA control of how LSTA funds are spent to best meet the needs of the state.</p>
<p>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.</p>	<p>The year -long LSTA Grants to States Program analysis conducted by Himmel and Wilson, Library Consultants, culminated in the 2009 publication of <i>A Catalyst for Change: LSTA Grants to States Program Activities and the Transformation of Library Services to the Public</i>.</p>
<p>220 Museums for America grants reach every state and museums of all budget sizes and disciplines to strengthen audiences and operate more efficiently. 50 of these grants will specifically help staff adopt new technologies to reach audiences and operate more efficiently.</p>	<p>178 Museums for America grants reach every state and museums of all budget sizes and disciplines to strengthen audiences and operate more efficiently. 15 of these grants will specifically help staff adopt new technologies to reach audiences and operate more efficiently.</p>
<p>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.</p>	<p>In FY2010, the National Leadership Grants program awarded 5 planning grants to libraries, 4 planning grants to museums, and 5 planning grants to formal library-museum collaborations. These 14 grant-funded projects involve a total of 43 partnering organizations, including other museums, libraries, and archives, as well as public schools, institutions of higher education, non-profits, and other community organizations. Although the total number of NLG collaborative planning grants for FY2010 is less than the stated target, the number of partnering organizations is larger than expected.</p>

Selected 2010 IMLS-funded Grants that Support Goal 2

Alameda County Library – Fremont, CA

Amount: \$2,881

Grant Program: Grants to States

BOSS, Business Outreach Success Stories, provided community workshops, staff training and a multimedia business collection to help people launch and expand small businesses in the Tri-City area of Alameda County. Business workshops were offered in collaboration with the Small Business Administration, Women’s Initiative and SCORE. Library database training was included. A key component was a three-week business plan writing workshop. Staff training focused on using Reference USA for marketing purposes.

Children's Museum of Manhattan – New York, NY

Amount: \$105,487

Grant Program: Museums for America

The Children’s Museum of Manhattan (CMOM)—in partnership with City University of New York’s Early Childhood Professional Development Institute (CUNY PDI)—will fill a critical gap in early childhood education by creating a unified early childhood and health education professional development model. The proposed “Play is Learning” program will enable home-based childcare providers from low-income households in New York City to ensure the healthy development and learning of children in their care while building the capacity of the museum to serve as a valuable resource for adults working with young children. CMOM will codify the health-focused “Play is Learning” curriculum and synthesize findings from the project evaluation into a training manual, enabling replication by other organizations in need of professional development programs in early childhood education and health.

Michigan State University – East Lansing, MI

Amount: \$686,422

Grant Program: National Leadership Grants

This study seeks to understand facilitation styles and their outcomes in two distinct but representative museum environments. The first, Science Buzz at Science Museum of Minnesota, is a popular Web site identified by the field to be exemplary because of its educational value and its use of Web 2.0 functionality. The second is the more distributed use of social software at the Museum of Life and Science in Durham, North Carolina. The first uses learning platforms that are hosted internally, while the second is experimenting with building learning communities where people are already gathering on the Web, such as Flickr, Twitter, and YouTube. Researchers will closely follow activity at each museum, using discourse analysis as their primary analytical approach with the goal of identifying clear, replicable facilitation styles and indicators of learning associated with those styles.

Museum of Science, Boston – Boston, MA

Amount: \$73,792

Grant Program: Museums for America

The Museum of Science will design, prototype, and evaluate two new Design Challenges

focused specifically on the active engagement of girls visiting the museum in coed student groups. The first challenge will focus on biomechanics and adaptive technology through a mechanical claw project. The second challenge will be based on materials engineering, which engages students in designing and building trampolines. The initiative will advance the museum's ability to identify and anticipate gender differences, explore their significance, and adjust programming accordingly to better empower girls and women for living and working in a world where science, technology, engineering, and math skills are increasingly essential.

Nevins Memorial Library – Methuen, MA

Amount: \$9,250

Grant Program: Grants to States

The S.T.E.M. (Science, Technology, Engineering & Math) project developed a model of fun, high interest, science, technology, engineering and math activities for children from 4th to 6th grade. Programs took place after school and, while open to all children, sought to reach out specifically to girls and children living in poverty in the Methuen community. The scope of the STEM project has been amazing in its ability to reach out to underserved children, specifically young girls and more disadvantaged youth and introduce them to many concepts in science. It has been shown that children often develop ideas about future careers in their formative years.

Rancho Cucamonga Public Library – Rancho Cucamonga, CA

Amount: \$5,000

Grant Program: Grants to States

Fit for Life (also called "Healthy RC") is an exciting combination of programs, materials, and awareness for the residents and community of Rancho Cucamonga. Our two target groups, tweens/teens and seniors, will enjoy a series of health and wellness programs and activities, and be exposed to related library materials that will engage them in bettering their minds and bodies, making them active, healthy, and smart. For example, seniors will experience a "Get Fit Club" and "Health Fair," as well as "Computer Club," all in an effort to launch them into being "Fit for Life." We will not undertake this endeavor alone, but will pursue and enjoy partnerships with several important partners whose support and sponsorship will enhance what the Library can do and who our project reaches.

San Angelo Museum of Fine Arts – San Angelo, TX

Amount: \$269,582

Grant Program: National Leadership Grants for Museums

The San Angelo Museum of Fine Arts, along with its partners, the San Angelo Independent School District and the Upper Colorado River Authority, will bring together community resources to create an interdisciplinary program of art and science that will engage students in real-life projects focusing on water conservation and environmental science. The three-tier approach will include a third-grade art-science fusion program, a one-week summer intensive program, and Aqua Squad: Student Docent Program. This project will provide a national model, especially for rurally isolated areas, with museums taking lead roles in collaborating with school districts and other community institutions.

Treehouse Children's Museum – Ogden, UT

Amount: \$71,690

Grant Program: Museums for America

Treehouse Children’s Museum will use its grant to fund the “Global SPYs at Treehouse” project. This project unites a leadership program for youth volunteers (ages twelve to fifteen) with a celebration of the stories, art, and artifacts from two countries—Mexico and Mongolia—which have important ties to the Ogden, Utah, community. Eighteen “Special Participating Youth,” or SPYs, will be recruited through an application and interview process from neighborhoods throughout the area. As SPYs, their mission will be to create programs for families that focus on the stories and traditional arts of the two countries and to curate two exhibitions of loaned and donated objects and artifacts. They will also assist in the development of two permanent storytelling kiosks where families will share children’s folk and fairy tales from Mexico and

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.

FY10 Targets	Progress toward targets
<p>15 grants for Continuing Education projects in the Laura Bush 21st Century Librarian Program strengthen skills of 300 currently employed professionals.</p>	<p>11 Continuing Education grants serving 3,934 students were awarded in 2010. Note: Although the number of grants was less than projected, the number of students who are projected to benefit exceeded expectations. Most students have not yet completed the programs yet as awards were only announced in June 2010.</p>
<p>Five grants for Doctoral Education projects in the Laura Bush 21st Century Librarian Program support ten new doctoral candidates.</p>	<p>Four grants supporting 25 doctoral candidates were awarded in 2010. Note: The number of grants was less than projected, but the number of doctoral candidates supported exceeded the projection. One of the grants was awarded in the Building Institutional Capacity category and three were in Doctoral Programs.</p>
<p>25 21st Century Museum Professionals grants strengthen 3500 museum professionals’ museum management skills and knowledge, and expand the museum leadership pool.</p>	<p>Funding allowed seven 21st Century Museum Professionals grants impact 650 institutions and strengthen the knowledge and skills of over 1,500 museum professionals in a variety of capacity-building areas; in addition, numerous other professional staff , volunteers, and student interns will be impacted through train-the-trainer activities</p>

	and dissemination of materials and tools produced by these projects.
15 State Library Administrative Agencies provide continuing education for 450 library staff members and measure the effectiveness of their continuing education programs.	At least 15 State Library Administrative Agencies used LSTA funding for continuing education. Data collected regarding the number of library staff who participated in these education programs was not fully or consistently reported.
50 school library media specialists learn to provide effective resources and services for youth.	173 new school library media specialists will be supported through 6 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.	88 museums participated in self-assessment and peer reviews to improve expertise in museums operations. 540 museum staff participated in this program.
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.	IMLS supported 75 Big Read grants, each of which had a library as the lead agency or a partner. These 75 projects listed a total of 84 partner museums.
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.	24 eligible entities improved the expertise of staff to preserve Native culture and develop educational programs.
IMLS supports professional development for staff at 20 African American museums.	IMLS supports professional development for staff at 14 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.	14 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; additional impact is created through the involvement of student interns in many of these projects

Selected 2010 IMLS-funded Grants that Support Goal 3

Alaska Department of Education and Early Development – Juneau, AK

Amount: \$185,427

Grant Program: Laura Bush 21st Century Librarian Program

The Alaska Division of Libraries, Archives and Museums will support paraprofessional and professional continuing education and training, organizing a summit of 83 library,

archives, and museum staff who are Alaska Native or serve significant Alaska Native populations. Working with a diverse group of for-profit and non-profit organizations, the state library will also develop a strategic plan to address the sustainability of education initiatives. It will develop a Web site to disseminate continuing education and professional development opportunities more effectively and will deliver three workshops using a variety of traditional and technology-enabled methods.

Anne Arundel County Public Library – Annapolis, MD

Amount: \$44,861

Grant Program: Grants to States

Anne Arundel County Public Library's Library Associate Training Institute provides the foundation – tools, techniques, information and ideas, and practice opportunities for library associates to enhance and grow their professional competencies in providing information, readers' advisory, programs and other services to individuals who represent the diversity of Maryland's public library customers. LATI provides online and face-to-face training and learning opportunities over a period of 18-20 weeks. During the fiscal year, five face-to-face sessions were held, with orientation scheduled in the third week. Content was delivered via in-person sessions, a wiki, eight online synchronous sessions and two phone conferences for both supervisors and library associates. Eighty-five library associates successfully completed the program.

Children's Museum of Houston – Houston, TX

Amount: \$436,088

Grant Program: 21st Century Museum Professionals

The Children's Museum of Houston will partner with the New York Hall of Science, Oregon Museum of Science and Industry, and Sciencenter to develop and share methods for increasing the ability of museum exhibit facilitators to use personal mobile technologies (PMT) to engage visitors in learning. The 21st Century Exhibit Facilitators and Personal Mobile Technologies Project (21-Tech) will target staff and volunteers from museums that provide interactive opportunities to explore science, technology, engineering, and mathematics (STEM). The expertise to use PMT developed through this project will be focused on providing parents and caregivers support for enhancing the meaning of museum visits for children. Supported by a robust evaluation plan, over 100 museum professionals at the four participating museums will participate in workshops, webinars, and a blog. An electronic toolkit will be developed for dissemination to an additional 80 museums.

Foundation of the American Institute for Conservation of Historic and Art Works – Washington, DC

Amount: \$219,245

Grant Program: 21st Century Museum Professionals

The Foundation of the American Institute for Conservation of Historic and Art Works (FAIC) will expand and enhance its Collections Emergency Response Team (AIC-CERT) program to help small museums and historic sites respond to emergencies. Continuing education will be provided for existing team members to update and maintain skills between deployments. Forty additional museum professionals will be trained in the same body of knowledge and to the same standard as the original AIC-CERT.

Participants will be selected based on their ability to respond to emergencies in underserved areas of the country. In collaboration with the National Trust for Historic Preservation, FAIC will provide basic emergency preparedness and response training for staff members of over 200 small museums to prepare their institutions, assist other museums in their region, and work more effectively with AIC-CERT members following a disaster.

Great Blacks in Wax Museum – Baltimore, MD

Amount: \$48,050

Grant Program: Museum Grants for African American History and Culture

The Great Blacks in Wax Museum will strengthen its school tours program and develop a new interactive curriculum, “Movement: The Essence of the African American Experience,” which will be aligned with the Maryland State Standards of Learning. An experienced director of education will be hired to assist in the development of the curriculum and to work with existing staff to develop the vision for the museum’s additional school and public programs while proactively promoting collaboration with area schools. The director of education will oversee the work of two part-time educators to engage in strategic outreach to local schools and other organizations serving Baltimore’s at-risk youth population.

Mansfield University of Pennsylvania, School of Library and Information Technologies – Mansfield, PA

Amount: \$999,940

Grant Program: Laura Bush 21st Century Librarian Program

Mansfield University's accredited online School Library & Information Technologies program will partner with Chicago Public Schools and the New York City Department of Education, to recruit and graduate 48 new certified school librarians. This project will address the school librarian shortage while building greater skills and leadership abilities among graduates.

Mid-America Arts Alliance – Kansas City, MO

Amount: \$337,329

Grant Program: 21st Century Museum Professionals

Mid-America Arts Alliance will build on the success of its regional professional training initiative for small and predominantly rural museums. “HELP (the Hands-On Experiential Learning Project) Advance” will deliver intensive multiyear training to museums in Arkansas, Kansas, Missouri, Nebraska, Oklahoma, and Texas. The project will provide focused training in strategic planning, sustainable resource management, and community engagement, using a highly individualized approach of on-site consultations/coaching, goal-centered progress, peer reviews, training workshops, and online learning overseen by experienced field directors. HELP Advance will deliver direct training to the staff and trustees of 50 museums to build institutional capacity and enable these emerging institutions to realize the mission and specific long-term goals of their organizations.

Pacific Resources for Education and Learning – Honolulu, HI

Amount: \$323,792

Grant Program: Laura Bush 21st Century Librarian Program

Pacific Resources for Education and Learning will continue, expand, and enhance informal continuing education opportunities for 20 pre-professional school library staff in the U.S.-affiliated Pacific islands. It will engage school librarians and teachers in collaboratively integrating information literacy and content standards for their students. This project will improve the knowledge of school librarians about the American Association of School Librarians Information Literacy Standards as they partner with teachers who are working to meet the American Samoa and Palau national grade-six social studies curriculum standards.

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

The agency is focused on its administrative capacity to fulfill its statutory grant making, 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.

FY10 Targets	Progress toward targets
<p>IMLS provides resources and technical assistance to support at least 75 percent of the year’s grantee organizations in outcome-based planning and evaluation.</p>	<p>IMLS has transformed its onsite training in outcome-based training and evaluation into an online format with a grant to Indiana University. The program is now self-sustaining, with a free online self-taught tutorial. See the Shaping Outcomes: Making a Difference in Libraries and Museums website at www.shapingoutcomes.org. It is also available as an instructor-mediated distance education course.</p>
<p>IMLS provides technical assistance and information to at least 400 potential applicants through audio conferences.</p>	<p>The Office of Library Services conducted a total of seven national dial-in conference calls for the FY2010 grant programs (including LB21, Native-American/Native Hawaiian, and the cross-office NLG program), with a total of 308 participants.</p> <p>Office of Museum Services program staff provided technical assistance and information to approximately 698 potential applicants through 11 conference calls regarding 6 funding programs.</p> <p>These calls were enhanced through a Web-assisted conference call service beginning in February 2010.</p>

<p>Formal independent evaluation of three IMLS grant programs assists IMLS to identify and implement program improvements and to share models to improve practice.</p>	<p>IMLS awards contract for evaluation of the 21st Century Librarian program for 2011.</p> <p>Formal program evaluation for the Museums for America funding program was initiated in FY10.</p>
<p>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.</p>	<p>Improvements were implemented to address previous weaknesses in network security controls. A FISMA audit was conducted that provided detailed findings of improvements and further steps required. Extensive progress was made in transitioning to the new telecommunications Networkx contract, and planning for implementation of an IT COOP was initiated.</p>
<p>IMLS streamlines application and award management by transitioning to the Grants Management Line of Business.</p>	<p>IMLS has funded and implemented a fit/gap analysis to transition to the federal government's Grants Management Line of Business.</p>
<p>IMLS State Programs office completes 40 site visits to State Library Administrative Agencies between FY2006 and FY 2010 to monitor the management of the Grants to States program.</p>	<p>In FY2006 IMLS State Programs staff completed four site visits to California, Massachusetts, Nevada, and Wyoming. In FY2007 IMLS State Programs staff completed 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 site visits to Georgia, Missouri, New York, North Dakota, Ohio, Oregon, Rhode Island, and the Virgin Islands. In FY2009 IMLS State Programs staff completed eight site visits to Hawaii, Kansas, Kentucky, North Carolina, South Carolina, South Dakota, Washington, and Wisconsin. In FY2010 IMLS State Programs staff completed 10 site visits to Alabama, Colorado, Delaware, Idaho, Florida, Maine, Mississippi, Montana, New Jersey, and Vermont. Each site visit included the critical review of the administration of the LSTA program at the State Library Administrative Agency as well as trips into the field to visit libraries that are recipients of subgrants or beneficiaries of statewide LSTA projects.</p> <p>The total number of site visits completed during the five fiscal years FY2006-2010 is 49.</p>
<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.</p>	<p>In FY2010 staff of 51 State Library Administrative Agencies representing the 49 states, the District of Columbia, and Puerto Rico attended a training conference held February 17-19, 2010 in Washington, DC. The conference included a 2-day grants management course on audit of federal grants. SLAA staff from three Pacific territories and three freely-associated states participated in a training workshop held May 10-12, 2010, in Honolulu, Hawaii.</p>

<p>Responding to strong support from the museum community, IMLS pilots a museum statistics program.</p>	<p>IMLS began work on information architecture to collect museum data. The agency also entered into a contract to review, refine, and prioritize definitions for data element.</p>
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IMLS Administration

The Institute has prioritized strategic planning and evaluation and implementation of a comprehensive strategy for improving the management and performance of the agency.

IMLS activities in these areas are described below.

Strategic Human Resources Management

The IMLS Office of Human Resources (OHR) has deployed a new Employee Official Personnel Folder (e-OPF) process. This system gives employees access to their official personnel files from their desktops. This new tool allows the Human Resources Office to streamline internal process and lessens the requirement for employees and managers to make appointments for reviewing the official files.

OHR has streamlined its recruitment and staffing process within the U. S. Office of Personnel Management's (OPM) Hiring Reform initiative. The agency deployed a new category rating process for rating and ranking applicants who apply for open announcements. It implemented and deployed the new 80-day hiring mapping plan that is required by the Administration and OPM. OHR has been using the USA Staffing hiring tool for two years and has trained managers to review applications and list of eligible applicants via the online staffing tool.

IMLS has integrated the human resources, EEO, and diversity programs into the agency's overall strategic plan. OHR has met all of its requirements for reporting to the OPM and the Office of Management and Budget.

OHR deployed a new enhanced telework program to ensure the continuity of essential government functions in the event of national or local emergencies. This program will also assist IMLS in recruiting and retaining the best possible workforce and to be competitive in the federal recruitment process.

OHR met with OPM to implement a Human Capital Accountability and Assessment Framework (HCAAF) for FY 2010-2011. A new appraisal system for the General Schedule employees was implemented for the 2009 performance management cycle and managers will use the tool for the first-time in 2010. OHR will review the milestones and lessons learned after the review cycle to further refine the performance process. This appraisal system is for all General Schedule employees of the Institute and supports OHR initiatives to align the Institute with other comparable agencies.

Training on personnel matters focused on all of the components of the No Fear Act; Understanding Prohibited Personnel Practices and Whistleblower Protection; Making Accessibility a Reality; Making Panels and Other Meetings More Inclusive; Adverse Actions, Ethics and Government Service; Employee Performance Evaluation; and Benefits Available to Federal Employees.

The Acting Director of the Institute has started a Staff Development Task Force to gain staff input on employee training and process improvements. IMLS is committed to a high-performing diverse workforce, including veterans and persons with disabilities. The Institute has been successful in hiring veteran candidates in 2010. One of the targets for the Institute is to ensure that current and prospective employees understand the special roles and functions of federal service and are equipped to carry out the agency's work with efficiency, integrity, and accountability.

Information Technology

Technical solutions implemented and initiated during FY2010 have included hardware and software upgrades and replacements. These upgrades and replacements are part of the Institute's ongoing efforts to modernize its technology. The implementation of several government-wide cyber security initiatives to protect the government's information and the agency's infrastructure will create continuous monitoring for internal and external threats.

The Office of the Chief Information Officer (OCIO) developed the agency's sustainability plan to maintain a pattern of resource use, policies, and strategies while preserving flexibility for potential future agency activities. The OCIO developed the agency Data Center Consolidation Initiative Plan to reduce the agency's carbon footprint and energy needs by moving information technology servers to "cloud" solutions and load balancing.

The OCIO is also planning and implementing a new telecommunications environment based on its telecommunications infrastructure assessment that focused on expansion and/or replacement needs for both phone and data equipment and services. The assessment directly links to the Trusted Internet Connection (TIC) initiative and the Department of Homeland Security and OMB's efforts to consolidate and monitor internet traffic and improve the security around the agency's network.

Steps were taken to complete the comprehensive IT COOP and disaster recovery plan and testing, which will be implemented in FY2011.

Grants Management

IMLS has expanded its electronic government capabilities and will use technology to minimize the burden on applicants and grantees and increase agency efficiency. IMLS presently delivers a number of services electronically and will expanding these services. In addition to the IMLS Web site, which provides application guidelines, publications, and other information, IMLS works 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 has representation on the federal Grants Executive Board (GEB) and the Grants Policy Committee (GPC), and participates in the Grants.gov User Group.

The Grants.gov initiative provides a single location to publish grant opportunities and by providing a single site for grant applications using common forms, processes, and systems. By utilizing Grants.gov, IMLS can reach 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. In FY 2009 IMLS completed a preliminary fit-gap analysis to determine how the IMLS grants management process will fit in with ACF's GrantsSolutions process. However, IMLS is looking at other agencies to ensure it chooses the best option for implementation.

The agency's Web site has been redesigned to assist grant applicants, grant reviewers, and grant recipients. All grant guidelines, instructions and forms for managing grants are available on the site. The site provides a useful portal to IMLS-produced planning and evaluation tools, and also links users to publications and online resources.

Improved Financial Performance

IMLS's relationship with the Federal Aviation Administration's (FAA) Enterprise Service Center (ESC) for accounting services continues to be a successful one. The ESC is an OMB-designated "Center of Excellence". This partnership has been enormously cost-beneficial, and it gives IMLS access to timely reporting and accounting services, and to the financial information necessary to make strategic agency and programmatic decisions.

The agency CFO works 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, and senior managers are required to monitor and approve their offices' expenditures. Quarterly budget status meetings with the Chief Operating Officer and CFO are conducted, with more frequent discussions as conditions dictate.

The Institute successfully completed the second complete fiscal year with the Department of Interior-Federal Payroll Personnel System (FPPS). In addition to providing a front-end electronic timekeeping function, FPPS also allows the Institute's managers to process personnel actions electronically, thereby streamlining this process. It will also result in improved timeliness of processing personnel actions. The next phase of the transition will be to 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 FY 2010, IMLS continued its review of its procurement policies and procedures and further enhanced its procurement program. The Institute hired a Contracting Officer in August 2010 to provide day-to-day supervision of the agency's procurement office and expert guidance on the procurement aspects of the agency's operations. The Contracting Officer also works with senior managers on a more robust acquisition planning process, which will result in significant improvement of procurement requests and consequently contract administration. IMLS continued its successful partnership with the GSA

SMARTPAY2 program in FY2010, and its use of the federal purchase card for micro-purchases program.

Measuring IMLS Program Impacts

To address the need for more standardized performance measures, IMLS has been working with an independent firm to develop a detailed, agency-wide Performance Management Plan (PMP) with specific performance measures for program activities. IMLS worked with contractors to plan a new agency-wide reporting process for both discretionary grants and the Grants to States program. The new reporting process will provide a direct link between funded program activity and the agency's strategic goals and to allow for more systematic aggregate reporting of grant outcomes to the agency.

The first step involved a systematic review of performance measures used in the library and museum field domestically and internationally. This review identified three measurable categories of library and museum program activities that align with the IMLS strategic goals: (1) Sustaining cultural heritage (preservation); (2) Enhancing Learning and Innovation (audience services including grants that support programming for external audiences) (3) Professional Development. For the purposes of performance measures a fourth category was added: (4) Research and Development. For each of the first three categories, a set of initial outcome measures were developed and reviewed in consultation with program staff and with external museum and library stakeholders.

The draft outcome measurement indicators differ systematically from the current agency process because applicants will be asked to set outcome measures when they apply for the grant, rather than providing a retrospective assessment of program impacts. In the new process grantees will select outcome areas from a set of options that relate to specific program goals. For the pilot stage of this process the agency is considering requiring grantees to choose one or more core outcome indicators that all grantees will be obliged to track.

By limiting outcome measurement options to a discrete set of strategic priorities, the agency can a) limit the reporting burden on grantees; b) provide more detailed, targeted technical assistance to grantees on performance measurement; and c) report on a discrete set of valid and reliable agency performance measures that cut across a wide range of grant programs and align with the agency's strategic goals. In FY2011 the agency will vet selected performance measures with external stakeholders and will submit PAR review documents to OMB for new data collection procedures and forms for a pilot library and museum grant program.

The Office of Policy, Planning Research and Communications is carrying out regular evaluation of programs to assess programmatic effectiveness and to share best practices. In FY 2009 IMLS completed a study of its largest library program, Grants to States. The study found that the character of library services has changed dramatically with the advent of new information technologies, the continuous development of locally-tailored services, and the expectations of the 21st century library user. According to the report libraries have added computer workstations, increased available bandwidth, and provided

training in communities where they are often the sole provider of free access to the Internet to address the growing demand for online services,. Some State Libraries Agencies are incorporating technology investments into their statewide strategic plans while other states manage such investments on a local or regional basis. These findings will help to administer the grants to state libraries program and strengthen future planning and evaluation activities.

Open Government Directive: Overview

In January 2009 the President issued a memorandum calling for increased transparency, collaboration, and public participation in government. IMLS embraced this memorandum as an opportunity to build upon its solid record of openness and consultation. Through its grant making, convenings, data collection, research, and policy work, IMLS has provided resources and inspiration to support the development and use of new technologies to expand access to and use of education and information services in communities across the country and around the globe. IMLS has sought to engage the public in the development of core agency functions. IMLS was the first federal cultural agency to provide a publically accessible searchable grants database (2002).

In addition, the agency's web site highlights a grantee each month, providing an in-depth profile about a successful project. The Institute places a high priority on public communication and produces a free monthly electronic newsletter with 10,000 subscribers. The agency also produces regular press releases and has established a RSS feed.

IMLS established an agency-wide working group on how to use Web 2.0 to achieve the agency's mission. The working group developed a draft social media policy. The National Museum and Library Services Board met in October 2009 to discuss the policy and the Institute's Director signed it on December 2, 2009.

In 2009, an OMB memorandum directed agencies to take the following steps in creating a more open government:

1. Publish Government information online;
2. Improve the quality of Government information;
3. Create and Institutionalize a culture of open government; and
4. Create an enabling policy framework for open government.

The memorandum required that "within 120 days [April 7, 2010] each agency shall develop an Open Government Plan that describes how the agency will improve transparency and integrate public participation and collaboration into its activities."

IMLS published its entire public library data and state library survey data on data.gov well in advance of the January 22, 2010 deadline and met the February 6, 2010 deadline for launching an Open Government Web page (www.imls.gov/open).

In April 2010 IMLS published its Open Government Plan, documenting its significant achievements in transparency, participation, and collaboration and setting goals for the future.

The agency is reviewing its strategic plan to assure continued emphasis on transparency, participation and collaboration and will use Web 2.0 technologies to encourage participation in its strategic planning.

Financial Section

Message from the Chief Financial Officer

I am proud to join the Institute's Acting Director, Marsha Semmel, in presenting the Institute's FY 2010 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, 2010.

I am pleased to report that the agency has received an unqualified, "clean," opinion for its comparative financial statements for fiscal years 2010 and 2009, our fifth consecutive unqualified opinion. No findings were reported in FY2010 and the audit finding on the third quarter statements for FY 2009 has been corrected.

Additionally the Institute will continue financial management improvements to manage public funds effectively and efficiently 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 2010 unqualified opinion possible. The Institute looks forward to the transition to a new Director in FY 2011, and I anticipate another productive year, continuing to build on the significant progress achieved in FY 2010.

Shannon A. Hensler

Chief Financial Officer

Institute of Museum and Library Services

Audit of Financial Statements

**As of and for the Years Ended
September 30, 2010 and 2009**

Submitted By

Leon Snead & Company, P.C.

Certified Public Accountants & Management Consultants



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Marsha L. Semmel, Acting 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, 2010 and 2009, 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, 2010 and 2009, 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. Our testing of internal control identified no material weaknesses in financial reporting.

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* (as amended).

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, 2010 and 2009, 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, 2010 and 2009, in conformity with accounting principles generally accepted in the United States of America.

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, 2010 and 2009, 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 material weakness is a deficiency, or combination of significant deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance of the IMLS.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

A summary of the status of prior year findings is included as Attachment 1.

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 (as amended).

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* (as amended). 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 (as amended) 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 (as amended), 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 (as amended). 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.

DISTRIBUTION

This report is intended solely for the information and use of the management 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 8, 2010

Status of Prior Year Findings

<u>Description</u>	<u>Prior Report Date</u>	<u>Status as of September 30, 2010</u>
1. IMLS needs to improve the timeliness of intragovernmental revenue recognition.	November 6, 2009	1. ESC implemented procedures for processing reimbursable expenses and related revenues. Our current year testing found those procedures to be properly designed, placed in operation, and operating effectively. As a result, corrective action was completed on this finding.
2. IMLS systems controls need continued improvement to meet Federal information systems requirements.	November 9, 2007	2. IMLS has made additional progress in resolving its systems controls and security issues but continues to work on updating policies, procedures, and other documentation and security features. Outstanding systems issues continue to be tracked on the agency's Plan of Actions and Milestones. Because IMLS uses service providers for all of its financial management systems, and those service providers are responsible for most of the controls related to those systems, the issues that IMLS tracks in its POA&M pose little or no risk to the IMLS financial statements.



November 8, 2010

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 2010 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; 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 (as amended). Your findings helped validate the success of our continuing efforts to enhance the agency's financial management systems.

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,


for Marsha L. Semmel
Acting Director

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

BALANCE SHEET

As of September 30, 2010 and 2009

(in dollars)

Assets:	<u>2010</u>	<u>2009</u>
Intragovernmental :		
Fund balance with Treasury (note 2)	\$ 385,755,712	\$ 366,480,909
Other - Advances (note 4)	-	-
Total intragovernmental	<u>385,755,712</u>	<u>366,480,909</u>
General property, plant and equipment, net (note 3)	395,830	504,115
Other - Grant Advances (note 4)	4,170,553	733,052
Total assets	<u><u>\$ 390,322,095</u></u>	<u><u>\$ 367,718,076</u></u>
Liabilities:		
Intragovernmental :		
Other (note 6)	\$ 2,883,966	\$ 2,196,076
Total intragovernmental	<u>2,883,966</u>	<u>2,196,076</u>
Accounts payable	144,071	160,081
Benefits due and payable (note 5)	625,503	513,123
Other (note 6)	754,467	806,084
Other - Grant Accrual (note 6)	49,955,598	50,486,898
Total liabilities	<u>54,363,605</u>	<u>54,162,262</u>
Commitments and contingencies	-	-
Net position:		
Unexpended appropriations - other funds	334,969,218	310,823,882
Cumulative results of operations - earmarked funds (note 8)	532,283	1,321,598
Cumulative results of operations - other funds	456,989	1,410,334
Total net position	<u>\$ 335,958,490</u>	<u>\$ 313,555,814</u>
Total liabilities and net position	<u><u>\$ 390,322,095</u></u>	<u><u>\$ 367,718,076</u></u>

The accompanying notes are an integral part of these statements

INSTITUTE OF MUSEUM AND LIBRARY SERVICES
STATEMENT OF NET COST
For the Years Ending September 30, 2010 and 2009
(in dollars)

Program costs: (note 9 & 10)	<u>2010</u>	<u>2009</u>
Goal 1: Sustaining Heritage, Culture and Knowledge		
Gross Costs	\$ 20,849,316	\$ 19,154,374
Less: Earned Revenue (note 11)	<u>1,170,225</u>	<u>1,050,329</u>
Net Program Costs	<u>19,679,091</u>	<u>18,104,045</u>
Goal 2: Enhancing Learning and Innovation		
Gross Costs	\$ 194,621,368	\$ 201,373,620
Less: Earned Revenue	<u>-</u>	<u>23,595</u>
Net Program Costs	<u>194,621,368</u>	<u>201,350,025</u>
Goal 3: Building Professional Capacity		
Gross Costs	\$ 44,040,696	\$ 47,151,844
Less: Earned Revenue	<u>-</u>	<u>-</u>
Net Program Costs	<u>44,040,696</u>	<u>47,151,844</u>
Goal 4: Increase Administrative Capacity for Excellence		
Gross Costs	\$ 1,919,219	\$ 1,633,153
Less: Earned Revenue	<u>-</u>	<u>-</u>
Net Program Costs	<u>1,919,219</u>	<u>1,633,153</u>
Net Cost of Operations	<u><u>\$ 260,260,374</u></u>	<u><u>\$ 268,239,067</u></u>

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 Ending September 30, 2010 and 2009
(in dollars)

	<u>2010</u>			<u>2009</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>
Cumulative Results Of Operations:						
Beginning Balances	\$ 1,321,598	\$ 1,410,334	\$ 2,731,932	\$ 1,296,211	\$ 1,504,647	\$ 2,800,858
Adjustments:						
Changes in accounting principles	-	(318,606)	(318,606)	-	-	-
Corrections of errors	-	(277,538)	(277,538)	-	-	-
Beginning Balance, as adjusted	1,321,598	814,190	2,135,788	1,296,211	1,504,647	2,800,858
Budgetary Financing Sources:						
Appropriations Used	-	258,383,203	258,383,203	-	267,440,234	267,440,234
Nonexchange Revenue	-	-	-	-	-	-
Donations of Cash and Cash Equivalents	111,000	-	111,000	250,000	-	250,000
Other Financing Sources (Non-Exchange):						
Imputed financing	-	619,655	619,655	-	479,907	479,907
Total Financing Sources	111,000	259,002,858	259,113,858	250,000	267,920,141	268,170,141
Net Cost of Operations	900,315	259,360,059	260,260,374	224,613	268,014,454	268,239,067
Net Change	(789,315)	(357,201)	(1,146,516)	25,387	(94,313)	(68,926)
Cumulative Results Of Operations	\$ 532,283	\$ 456,989	\$ 989,272	\$ 1,321,598	\$ 1,410,334	\$ 2,731,932
Unexpended Appropriations:						
Beginning Balance	-	310,823,883	310,823,883	-	303,424,116	303,424,116
Adjustments:						
Changes in accounting principles	-	-	-	-	-	-
Corrections of errors	-	277,538	277,538	-	-	-
Beginning Balance, as adjusted	-	311,101,421	311,101,421	-	303,424,116	303,424,116
Budgetary Financing Sources:						
Appropriations Received	-	282,251,000	282,251,000	-	274,840,000	274,840,000
Appropriations transferred in/out	-	-	-	-	-	-
Other Adjustments	-	-	-	-	-	-
Appropriations Used	-	(258,383,203)	(258,383,203)	-	(267,440,234)	(267,440,234)
Total Budgetary Financing Sources	-	23,867,797	23,867,797	-	7,399,766	7,399,766
Total Unexpended Appropriations	-	334,969,218	334,969,218	-	310,823,882	310,823,882
Net Position	\$ 532,283	\$ 335,426,207	\$ 335,958,490	\$ 1,321,598	\$ 312,234,216	\$ 313,555,814

The accompanying notes are an integral part of these statements

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

STATEMENT OF BUDGETARY RESOURCES

For the Years Ending September 30, 2010 and 2009

(in dollars)

	2010	2009
	<u>Budgetary</u>	<u>Budgetary</u>
Budgetary Resources:		
Unobligated balance, brought forward, October 1:	\$ 9,942,623	\$ 7,384,499
Recoveries of prior year unpaid obligations	4,375,726	2,909,924
Budget authority		
Appropriation		
Actual	282,362,000	275,090,000
Anticipated	-	-
Spending authority from offsetting collections:		
Earned		
Collected	1,239,085	1,105,443
Change in receivables from Federal sources	-	(30,000)
Change in unfilled customer orders		
Advance received	359,160	618,290
Without advance from Federal sources	-	-
Anticipated for rest of year, without advances	-	-
Subtotal	<u>1,598,245</u>	<u>1,693,733</u>
Temporarily not available pursuant to Public law	-	-
Permanently not available		
Cancellation of expired and no-year accounts (-)	-	-
Enacted reductions (-)	-	-
Total Budgetary Resources	<u><u>\$ 298,278,594</u></u>	<u><u>\$ 287,078,156</u></u>
 Status of Budgetary Resources:		
Obligations incurred: (note 12)		
Direct	\$ 287,001,994	\$ 275,285,110
Reimbursable	1,529,385	1,668,619
Exempt from apportionment	179,867	181,803
Subtotal	<u>288,711,246</u>	<u>277,135,532</u>
Unobligated balance:		
Apportioned	772,427	4,592,304
Apportioned for subsequent periods	-	-
Anticipated	-	-
Exempt from apportionment:		
Exempt from apportionment	437,964	506,831
Anticipated (+ or -)	-	-
Subtotal	<u>1,210,391</u>	<u>5,099,135</u>
Unobligated balance not available	8,356,957	4,843,489
Total Status of Budgetary Resources	<u><u>\$ 298,278,594</u></u>	<u><u>\$ 287,078,156</u></u>
 Change in Obligated Balance:		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	\$ 356,538,285	\$ 347,181,737
Less: Uncollected customer payments from		
Federal sources, brought forward, October 1	-	(30,000)
Total unpaid obligated balance, net	<u>\$ 356,538,285</u>	<u>\$ 347,151,737</u>
Obligations incurred, net(+/-)	288,711,246	277,135,532
Less: Gross outlays	(264,685,441)	(264,869,060)
Less: Recoveries of prior unpaid obligations, actual	(4,375,726)	(2,909,924)
Change in uncollected customer payments		
from Federal sources (+/-)	-	30,000
Obligated balance, net, end of period		
Unpaid obligations	376,188,364	356,538,285
Uncollected customer payments from Federal sources (+/-)	-	-
Total, unpaid obligated balance, net, end of period	<u><u>\$ 376,188,364</u></u>	<u><u>\$ 356,538,285</u></u>
 Net Outlays:		
Gross outlays	\$ 264,685,441	\$ 264,869,060
Less: Offsetting collections	(1,598,244)	(1,723,733)
Less: Distributed offsetting receipts	(119,941)	-
Net outlays	<u><u>\$ 262,967,256</u></u>	<u><u>\$ 263,145,327</u></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, 2010 and 2009

(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 123,000 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 as 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, 2010 and 2009

(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.

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.

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.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2010 and 2009

(in dollars)

H. General Property, Plant and Equipment

IMLS' policy is to depreciate property, plant and equipment over the estimated useful life of the asset using the straight-line depreciation method. 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, 2010 and 2009

(in dollars)

Note 2 Fund Balance with Treasury

	2010		
Intragovernmental:	Entity	Non-Entity	Total
Trust Fund	\$ 626,109	\$ -	\$ 626,109
Investments	-	-	-
Annual Appropriated Fund	354,308,416	-	354,308,416
No Year Appropriated Funds	30,821,187	-	30,821,187
Treasury Misc. Receipts	-	-	-
Total	<u>\$ 385,755,712</u>	<u>\$ -</u>	<u>\$ 385,755,712</u>

	2009		
Intragovernmental:	Entity	Non-Entity	Total
Trust Fund	\$ 1,318,598	\$ -	\$ 1,318,598
Investments	-	-	-
Annual Appropriated Fund	302,961,094	-	302,961,094
No Year Appropriated Funds	62,201,217	-	62,201,217
Treasury Misc. Receipts	-	-	-
Total	<u>\$ 366,480,909</u>	<u>\$ -</u>	<u>\$ 366,480,909</u>

Status of Fund Balance with Treasury:	2010
Unobligated Balance	
Avaliable	\$ 1,210,391
Unavailable- No Year / Admin	7,704
Unavailable- No Year / Program	6,325,508
Unavailable- Annual Funds	2,023,745
Obligated Balance Not Yet Disbursed	376,188,364
Non-Budgetary FBWT	-
Total	<u>\$ 385,755,712</u>

Status of Fund Balance with Treasury:	2009
Unobligated Balance	
Avaliable	\$ 5,099,135
Unavailable- No Year / Admin	28,285
Unavailable- No Year / Program	4,521,895
Unavailable- Annual Funds	293,309
Obligated Balance Not Yet Disbursed	356,538,285
Non-Budgetary FBWT	-
Total	<u>\$ 366,480,909</u>

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2010 and 2009

(in dollars)

Note 3 General Property, Plant & Equipment

Major Class	2010		
	Acquisition Value	Accumulated Amortization	Net Book Value
Leasehold Improvements	\$ 782,914	\$ 430,604	\$ 352,310
Equipment	172,163	128,643	43,520
Asset Under Capital Lease	-	-	-
Total PP&E	<u>\$ 955,077</u>	<u>\$ 559,247</u>	<u>\$ 395,830</u>

Major Class	2009		
	Acquisition Value	Accumulated Amortization	Net Book Value
Leasehold Improvements	\$ 782,914	\$ 352,312	\$ 430,602
Equipment	172,163	98,650	73,513
Asset Under Capital Lease	<u>45,219</u>	<u>45,219</u>	-
Total PP&E	<u>\$ 1,000,296</u>	<u>\$ 496,181</u>	<u>\$ 504,115</u>

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, 2010 and 2009

(in dollars)

Note 4 Other Assets

	<u>2010</u>	<u>2009</u>
Intragovernmental Advances	\$ -	\$ -
Grant Advances	<u>4,170,553</u>	<u>733,052</u>
Total Other Assets	<u>\$ 4,170,553</u>	<u>\$ 733,052</u>

Grantees are authorized by OMB to request advances toward grant awards. IMLS policy states that advances are limited to the recipient's immediate cash needs and must be fully disbursed within 30 days. Grantees are required to report on the status of funds paid in advance by submitting a Request for Advance or Reimbursement (SF-270) within 30 days of receipt. The amount of Other Assets represents the total amount of advances requested and paid to grantees as of year ending September 30, 2010.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2010 and 2009

(in dollars)

Note 5 Liabilities Not Covered by Budgetary Resources

	<u>2010</u>
Intragovernmental:	
Other Unfunded Employment	\$ 33,309
Total intragovernmental	<u>33,309</u>
Accounts Payable	-
Accrued Unfunded Leave	625,503
Misc. Receipts Payable to Treasury	-
Total liabilities not covered by budgetary resources	<u>658,812</u>
Total liabilities covered by budgetary resources	<u>53,704,793</u>
Total liabilities	<u><u>\$ 54,363,605</u></u>

	<u>2009</u>
Intragovernmental:	
Other Unfunded Employment	\$ 29,234
Total intragovernmental	<u>29,234</u>
Accounts Payable	-
Accrued Unfunded Leave	513,123
Misc. Receipts Payable to Treasury	-
Total liabilities not covered by budgetary resources	<u>542,357</u>
Total liabilities covered by budgetary resources	<u>53,619,905</u>
Total liabilities	<u><u>\$ 54,162,262</u></u>

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2010 and 2009

(in dollars)

Note 6 Other Liabilities

	2010		
	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
Intragovernmental:			
Liability for Prepayments	\$ -	\$ 2,769,618	\$ 2,769,618
Employer Contrib. &PR Tax	-	114,348	114,348
Misc Receipts due to Treasury	-	-	-
Total Intragovernmental	<u>\$ -</u>	<u>\$ 2,883,966</u>	<u>\$ 2,883,966</u>
Public:			
Accrued Pay and Benefits	-	359,043	359,043
Capital Leases	395,424	-	395,424
Misc. Receipts due to Treasury	-	-	-
Grant Accrual	-	49,955,598	49,955,598
Total Other Liabilities	<u>\$ 395,424</u>	<u>\$ 53,198,607</u>	<u>\$ 53,594,031</u>

	2009		
	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
Intragovernmental:			
Liability for Prepayments	\$ -	\$ 2,091,852	\$ 2,091,852
Employer Contrib. &PR Tax	-	104,224	104,224
Misc Receipts due to Treasury	-	-	-
Total Intragovernmental	<u>\$ -</u>	<u>\$ 2,196,076</u>	<u>\$ 2,196,076</u>
Public:			
Accrued Pay and Benefits	-	333,341	333,341
Capital Leases	472,743	-	472,743
Misc. Receipts Due to Treasury	-	-	-
Grant Accrual	-	50,486,898	50,486,898
Total Other Liabilities	<u>\$ 472,743</u>	<u>\$ 53,016,315</u>	<u>\$ 53,489,058</u>

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2010 and 2009

(in dollars)

Note 7 Leases

IMLS as Lessee	
<u>Capital Leases:</u>	<u>2010</u>
Summary of Assets Under Capital Lease:	
Leasehold Improvements	\$ 782,914
Accumulated Amortization	<u>430,604</u>
Net	<u>\$ 352,310</u>
Equipment - Canon	\$ 45,219
Accumulated Amortization	<u>45,219</u>
Net	<u>\$ -</u>
IMLS as Lessee	
<u>Capital Leases:</u>	<u>2009</u>
Summary of Assets Under Capital Lease:	
Leasehold Improvements	\$ 782,914
Accumulated Amortization	<u>352,312</u>
Net	<u>\$ 430,602</u>
Equipment - Canon	\$ 45,219
Accumulated Amortization	<u>45,219</u>
Net	<u>\$ -</u>

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*.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2010 and 2009

(in dollars)

Future Payments Due:

<u>Fiscal Year</u>	<u>2010</u>	
	<u>Asset Category</u>	
	<u>Leasehold</u> <u>Improvements</u>	<u>Canon</u> <u>Equipment</u>
2011	\$ 97,448	-
2012	97,448	-
2013	97,448	-
2014	97,448	-
2015	48,724	-
Total Future Capital Lease Payments	<u>438,516</u>	<u>-</u>
Less: Imputed Interest	43,092	-
Net Capital Lease Liability	<u>\$ 395,424</u>	<u>\$ -</u>
Lease liabilities covered by budgetary resources	\$ 395,424	\$ -

<u>Fiscal Year</u>	<u>2009</u>	
	<u>Asset Category</u>	
	<u>Leasehold</u> <u>Improvements</u>	<u>Canon</u> <u>Equipment</u>
2010	\$ 97,448	-
2011	97,448	-
2012	97,448	-
2013	97,448	-
2014	97,448	-
After 5 years	48,724	-
Total Future Capital Lease Payments	<u>535,964</u>	<u>-</u>
Less: Imputed Interest	63,222	-
Net Capital Lease Liability	<u>\$ 472,742</u>	<u>\$ -</u>
Lease liabilities covered by budgetary resources	\$ 472,742	\$ -

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2010 and 2009

(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 was 48 months ended July 2010.

Future Payments Due:

<u>Fiscal Year</u>	<u>2010</u>	
	<u>Asset Category</u>	
	<u>Office Space</u>	<u>Equipment</u>
2011	\$ 2,083,262	-
2012	2,108,338	-
2013	2,134,167	-
2014	2,166,679	-
2015	1,093,043	-
Total Future Lease Payments	<u>\$ 9,585,489</u>	<u>\$ -</u>

<u>Fiscal Year</u>	<u>2009</u>	
	<u>Asset Category</u>	
	<u>Office Space</u>	<u>Equipment</u>
2010	\$ 2,058,917	\$ 2,493
2011	2,083,262	-
2012	2,108,338	-
2013	2,134,167	-
2014	2,166,679	-
After 5 years	1,093,043	-
Total Future Lease Payments	<u>\$ 11,644,406</u>	<u>\$ 2,493</u>

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2010 and 2009

(in dollars)

Note 8 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.

Balance Sheet as of September 30	2010	2009
ASSETS		
Fund balance with Treasury	\$ 626,109	\$ 1,318,598
Investment	-	-
Other Assets	-	3,000
Total Assets	<u>\$ 626,109</u>	<u>\$ 1,321,598</u>
LIABILITIES and NET POSITION		
Other Liabilities	\$ 93,826	\$ -
Cumulative Results of Operations	<u>532,283</u>	<u>1,321,598</u>
Total Liabilities and Net Position	<u>\$ 626,109</u>	<u>\$ 1,321,598</u>
Statement of Net Cost for the Year Ending September 30		
Program Costs	\$ (900,315)	\$ (224,613)
Less Resources	<u>111,000</u>	<u>250,000</u>
Excess of Donations Received Over Cost Incurred	<u>\$ (789,315)</u>	<u>\$ 25,387</u>
Statement of Changes in Net Position for the Year Ended September 30		
Net Position Beginning of Period	\$ 1,321,598	\$ 1,296,211
Change in Net Position	<u>789,315</u>	<u>25,387</u>
Net Position End of Period	<u>\$ 532,283</u>	<u>\$ 1,321,598</u>

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2010 and 2009

(in dollars)

Note 9 Intragovernmental Costs and Exchange Revenue by Program/Goal

	<u>2010</u>	<u>2009</u>
<u>Goal 1: Sustaining Heritage, Culture and Knowledge</u>		
Intragovernmental costs	\$ 608,755	\$ 648,750
Public Costs	20,240,561	18,505,624
Less: Intragovernmental earned revenue	1,170,225	1,050,329
Less: Public earned revenue	-	-
Net Program Cost	<u>\$ 19,679,091</u>	<u>\$ 18,104,045</u>
<u>Goal 2: Enhanced Learning and Innovation</u>		
Intragovernmental costs	\$ 1,890,632	\$ 1,991,325
Public Costs	192,730,736	199,382,295
Less: Intragovernmental earned revenue	-	-
Less: Public earned revenue	-	23,595
Net Program Cost	<u>\$ 194,621,368</u>	<u>\$ 201,350,025</u>
<u>Goal 3: Building Professional Capacity</u>		
Intragovernmental costs	\$ 866,088	\$ 2,405,238
Public Costs	43,174,608	44,746,606
Less: Intragovernmental earned revenue	-	-
Less: Public earned revenue	-	-
Net Program Cost	<u>\$ 44,040,696</u>	<u>\$ 47,151,844</u>
<u>Goal 4: Increase Administrative Capacity for Excellence</u>		
Intragovernmental costs	\$ 1,776,509	\$ 1,483,841
Public Costs	142,710	149,312
Less: Intragovernmental earned revenue	-	-
Less: Public earned revenue	-	-
Net Program Cost	<u>\$ 1,919,219</u>	<u>\$ 1,633,153</u>
Net Cost of Operations	<u>\$ 260,260,374</u>	<u>\$ 268,239,067</u>

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2010 and 2009

(in dollars)

Note 10 Suborganization Program Costs/Program Costs by Segment

	<u>2010</u>				
Program costs:	Library State Grants	Library Other Grants	Museum Grants	Administrative	Total
Goal 1: Sustaining Heritage, Culture and Knowledge					
Gross Costs	\$ -	\$ 7,578,673	\$ 10,793,163	\$ 2,477,480	\$ 20,849,316
Less: Earned Revenue	-	-	1,170,225	-	1,170,225
Net Program Costs	-	\$ 7,578,673	\$ 9,622,938	\$ 2,477,480	\$ 19,679,091
Goal 2: Enhancing Learning and Innovation					
Gross Costs	\$ 158,612,879	\$ 9,078,348	\$ 17,523,760	\$ 9,406,381	\$ 194,621,368
Less: Earned Revenue	-	-	-	-	-
Net Program Costs	\$ 158,612,879	\$ 9,078,348	\$ 17,523,760	\$ 9,406,381	\$ 194,621,368
Goal 3: Building Professional Capacity					
Gross Costs	\$ -	\$ 26,499,918	\$ 14,025,608	\$ 3,515,170	\$ 44,040,696
Less: Earned Revenue	-	-	-	-	-
Net Program Costs	-	\$ 26,499,918	\$ 14,025,608	\$ 3,515,170	\$ 44,040,696
Goal 4: Increase Administrative Capacity for Excellence					
Gross Costs	\$ -	\$ -	\$ -	\$ 1,919,219	\$ 1,919,219
Less: Earned Revenue	-	-	-	-	-
Net Program Costs	-	-	-	\$ 1,919,219	\$ 1,919,219
Net Cost of Operations	\$ 158,612,879	\$ 43,156,939	\$ 41,172,306	\$ 17,318,250	\$ 260,260,374

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2010 and 2009

(in dollars)

Program costs:	<u>2009</u>				
	Library State Grants	Library Other Grants	Museum Grants	Administrative	Total
Goal 1: Sustaining Heritage, Culture and Knowledge					
Gross Costs	\$ -	\$ 4,667,108	\$ 11,972,014	\$ 2,515,252	\$ 19,154,374
Less: Earned Revenue	-	-	1,050,329	-	1,050,329
Net Program Costs	-	\$ 4,667,108	\$ 10,921,685	\$ 2,515,252	\$ 18,104,045
Goal 2: Enhancing Learning and Innovation					
Gross Costs	\$ 167,612,648	\$ 9,135,129	\$ 15,741,847	\$ 8,883,996	\$ 201,373,620
Less: Earned Revenue	-	23,595	-	-	23,595
Net Program Costs	\$ 167,612,648	\$ 9,111,534	\$ 15,741,847	\$ 8,883,996	\$ 201,350,025
Goal 3: Building Professional Capacity					
Gross Costs	\$ -	\$ 28,739,055	\$ 14,854,509	\$ 3,558,280	\$ 47,151,844
Less: Earned Revenue	-	-	-	-	-
Net Program Costs	\$ -	\$ 28,739,055	\$ 14,854,509	\$ 3,558,280	\$ 47,151,844
Goal 4: Increase Administrative Capacity for Excellence					
Gross Costs	\$ -	\$ -	\$ -	\$ 1,633,153	\$ 1,633,153
Less: Earned Revenue	-	-	-	-	-
Net Program Costs	\$ -	\$ -	\$ -	\$ 1,633,153	\$ 1,633,153
Net Cost of Operations	\$ 167,612,648	\$ 42,517,697	\$ 41,518,041	\$ 16,590,681	\$ 268,239,067

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

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(in dollars)

Note 11 Exchange Revenue

Exchange Revenue in the amount of \$1,170,225 is related to an interagency agreement with the Department of Interior, National Park Service to issue and manage Save America's Treasures grants in accordance with appropriation language.

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(in dollars)

Note 12 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:

	<u>2010</u>		
	No Year	Annual	Total
Obligations Incurred:			
Category A, Direct Obligations	\$ (9,752)	\$ 17,155,349	\$ 17,145,597
Category B, Direct Obligations	4,696,919	265,159,478	269,856,397
Category B, Reimbursable	-	1,529,385	1,529,385
Exempt from Apportionment	179,867	-	179,867
Total obligations incurred	<u>\$4,867,034</u>	<u>\$ 283,844,212</u>	<u>\$ 288,711,246</u>

	<u>2009</u>		
	No Year	Annual	Total
Obligations Incurred:			
Category A, Direct Obligations	\$ 652,407	\$ 16,237,897	\$ 16,890,304
Category B, Direct Obligations	819,793	257,575,013	258,394,806
Category B, Reimbursable	-	1,668,619	1,668,619
Exempt from Apportionment	181,803	-	181,803
Total obligations incurred	<u>\$1,654,003</u>	<u>\$ 275,481,529</u>	<u>\$ 277,135,532</u>

Note 13 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 2010, has not yet been published. Actual numbers for fiscal year 2010 will be included in the President's Budget for fiscal year 2012 on February 7, 2011. 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 2009 Statement of Budgetary Resources and the 2009 actual amounts reported in the 2011 Budget of the United States Government published in 2010.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2010 and 2009

(in dollars)

Note 14 Undelivered orders at the end of the period

	<u>2010</u>	<u>2009</u>
Undelivered orders as of September 30		
Administrative	\$ 3,123,338	\$ 2,602,049
Program	330,485,733	304,886,367
Exempt from Apportionment	<u>94,319</u>	<u>814,767</u>
Total undelivered orders	<u>\$ 333,703,390</u>	<u>\$ 308,303,183</u>

Note 15 Incidental Custodial Collections

	<u>2010</u>	<u>2009</u>
Income from IMLS projects funded in prior years	\$ <u>8,941</u>	\$ <u>14,482</u>
Disposition of collections:		
Transferred to Treasury (general fund)	\$ <u>8,941</u>	\$ <u>14,482</u>
Net custodial revenue activity	<u>\$ -</u>	<u>\$ -</u>

Note 16 Explanations 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

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2010 and 2009

(in dollars)

Note 17 Reconciliation of Net Cost of Operations to Budget

	<u>2010</u>	<u>2009</u>
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations incurred	\$ 288,711,246	\$ 277,135,532
Less: Spending authority from offsetting collections and recoveries	(5,973,971)	(4,603,657)
Less: Offsetting receipts	<u>-</u>	<u>-</u>
Obligations net of offsetting collections and recoveries	\$ 282,737,275	\$ 272,531,875
Other Resources		
Imputed financing from costs absorbed by others	<u>619,655</u>	<u>479,907</u>
Total resources used to finance activities	\$ 283,356,930	\$ 273,011,782
 Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided (+/-)	(23,002,689)	(4,890,622)
Resources that fund expenses recognized in prior periods		
Budgetary offsetting collections and receipts that do not affect net cost of operations:		
Other	-	-
Resources used to finance the acquisition of assets	-	-
Adjustments to net obligated resources that do not affect net cost	<u>(318,606)</u>	<u>-</u>
Resources used to finance items not part of the net cost of operations	(23,321,295)	(4,890,622)
Resources Used to Finance the Net Cost of Operations:	<u>\$ 260,035,635</u>	<u>\$ 268,121,160</u>
 Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual leave liability	\$ 112,380	\$ 1,785
Increase in Exchange Revenue		
Other (+/-)	<u>4,075</u>	<u>(9,883)</u>
Total components of Net Cost of Operation	\$ 116,455	\$ (8,098)
Components not Requiring or Generating Resources:		
Depreciation and amortization	\$ 108,284	\$ 126,005
Other (+/-)	<u>-</u>	<u>-</u>
Total components of Net Cost of Operations that will not require or generate resources	\$ 108,284	\$ 126,005
Total components of Net Cost of Operations that will not require or generate resources in the current period	<u>\$ 224,739</u>	<u>\$ 117,907</u>
 Net Cost of Operations	 <u>\$ 260,260,374</u>	 <u>\$ 268,239,067</u>

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
None					
<i>Total Material Weaknesses</i>	0	0	0	0	0

Table 2.
Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA 2)						
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
Effectiveness of Internal Control over Operations (FMFIA 2)						
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
Conformance with financial management system requirements (FMFIA 4)						
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
Compliance with Federal Financial Management Improvement Act (FFMIA)						
	<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		