



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

June 12, 2012

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an agreed upon procedures report on the six Library Service Areas in the State of Iowa for the period July 1, 2010 through June 30, 2011. The agreed upon procedures were performed at the request of the Iowa Department of Education.

Vaudt reported the Library Service Areas (LSA) collectively made \$272,999 of questionable payments during the year. One LSA provided \$25,090 in grants to area libraries when it had not previously provided grants. Five LSAs collectively spent \$83,580 on prepaid items typically not prepaid or not prepaid so far in advance. Two LSA's changed their compensated absences policy to allow for sick leave conversion upon termination at a total cost of \$27,284. In addition, in June 2011, prior to the LSA close out and pursuant to direction from staff of the State Library of Iowa, three LSA's collectively spent \$82,808 for equipment purchases, including one vehicle for \$38,634.

A copy of the report has been filed with the Attorney General's Office for review and determination of further action, if any.

A copy of the report is available for review in the Iowa Department of Education, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1260-2820-BC00.pdf>.

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**LIBRARY SERVICE AREAS**

**INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED UPON PROCEDURES**

**FOR THE PERIOD  
JULY 1, 2010 THROUGH JUNE 30, 2011**

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**Library Service Areas**

**Officials**

Name

Title

**State**

**Governor**

Honorable Chester J. Culver  
(Ended during January 2011)

Honorable Terry E. Branstad  
(Began during January 2011)

**Director, Department of Management**

Richard C. Oshlo, Jr.  
(Ended during January 2011)

David Roederer  
(Began during January 2011)

**Director, Legislative Services Agency**

Glen P. Dickinson

**Iowa Department of Education**

Jason Glass  
Jeff Berger  
Mary Wegner

Director  
Deputy Director  
State Librarian

**Library Service Areas (LSA)**

Joette Kofoot  
Barb Shultz  
Bonnie McKewon  
Lily Lau  
Eunice Riesberg  
Karen Burns

Acting Administrator  
Administrator  
Administrator  
Administrator  
Administrator  
Administrator

Central Iowa LSA  
North Central Iowa LSA  
Northwestern Iowa LSA  
East Central Iowa LSA  
Northeastern Iowa LSA  
Southwestern Iowa LSA

**State Board of Education**

**Term Ends**  
**April 30**

Corey Anderson  
Brandon Bolte  
Charles Edwards, Jr.  
Eric Goranson  
Ana Lopez  
Mary Fitzpatrick  
Valorie Kruse  
Lametta Johnson  
Rosemarie Hussey  
Michael Knedler

Board of Education Member  
Board of Education Member

2011  
2012  
2012  
2012  
2012  
2014  
2014  
2014  
2016  
2016

## **Library Service Areas**



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Independent Accountant's Report on Applying Agreed Upon Procedures

To Jason Glass, Director of the Iowa Department of Education:

We have performed the following procedures, which were agreed to by the Iowa Department of Education, solely to assist you in evaluating the operations of the Library Service Areas (LSA) for the period July 1, 2010 through June 30, 2011. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are as follows:

1. We obtained and reviewed LSA independent audit reports for the year ended June 30, 2010 for findings, if any, which could impact the close out of the LSAs.
2. We obtained and reviewed the most recent financial statement presented to the LSA Boards for unusual items, if any.
3. We obtained and reviewed minutes of the LSA Boards for the year ended June 30, 2011 to identify significant items, if any, relating to the close out of the LSAs.
4. We obtained and reviewed the June 30, 2011 bank reconciliation, or the bank reconciliation closest to June 30, 2011, for each LSA bank account.
5. We obtained and reviewed available LSA bank statements for the year ended June 30, 2011 for unusual transactions, if any.
6. We obtained and reviewed the most recent listing of investments, including certificates of deposits, to determine the proper disposition of the investments by each LSA.
7. We determined whether each LSA added the Iowa Department of Education to all bank and credit/charge card accounts as directed by the Department.
8. We inquired, obtained and reviewed LSA documentation to identify potential receivables and payables, if any, as of June 30 2011.
9. We inquired about, obtained and reviewed LSA documentation to identify outstanding prepaid expenses, if any. For prepaid expenses identified, we determined when the prepaid expense was incurred, when the prepaid expense would be used and potential refunds of the prepaid expense as a result of the close out of the LSAs.
10. We obtained and reviewed the most current listing of LSA capital assets for significant additions and deletions made during the year ended June 30, 2011.

11. We obtained and reviewed supporting documentation for the sale of LSA assets and traced the proceeds to deposit in the LSA's bank account. For LSA assets sold, we identified and documented the purchaser of the asset(s) and whether the asset(s) were sold at fair value.
12. We inquired about and documented the disposition of assets which were not sold, including those assets given to the Iowa Department of Education or the State Library of Iowa.
13. We obtained and reviewed compensated absences records and documented the amount of compensated absences paid for the year ended June 30, 2011. We also obtained and reviewed each LSA's compensated absences policy to determine whether compensated absences were paid according to LSA Board policy and whether the policy was changed as a result of the close out of the LSAs.
14. We reviewed payroll records for compensated absences earned and used during the year ended June 30, 2011.
15. We obtained and reviewed lease agreements for office space or equipment for the terms, conditions, remaining obligations and potential liability, if any, for terminating the lease.
16. We inquired about, reviewed records and documented other sources of revenue.
17. We obtained and reviewed each LSA check register and/or listing of expenses for the year ended June 30, 2011 and scanned the register and/or listing for unusual payments, including potential capital asset purchases, credit/charge card account payments or questionable items, particularly during the last six months of the year ended June 30, 2011.
18. We observed supporting documentation for selected expenses to determine if they were properly supported and whether the expense was necessary and reasonable.
19. We obtained and reviewed a listing of all credit/charge card accounts held in the LSAs name and documented the names of the individuals with access and authority to use the credit/charge card accounts.
20. We scanned and reviewed LSA credit/charge card account statements for unusual items and transactions, if any, including potential personal items and whether appropriate supporting documentation was attached.
21. We determined whether LSA credit/charge card accounts were closed and cards were destroyed. For LSA credit/charge card accounts which were not closed, we determined whether the Iowa Department of Education was added to the account as directed by the Department.
22. We requested and obtained authorized salaries for each LSA and compared authorized salaries to amounts paid per the payroll journal. We also scanned LSA payroll records for unusual pay changes.
23. We obtained and reviewed LSA budgets for the year ended June 30, 2011, compared the budget to actual expenses and documented LSA staff explanations for significant budget to actual differences.
24. We inquired about and reviewed documentation to determine if the LSA was involved in other contractual and/or 28E agreements and reviewed the contracts and agreements, if any, for terms and cancellation clauses.

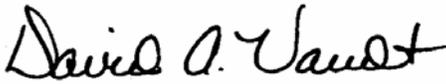
25. We obtained and documented the amount of expenses paid by the Iowa Department of Education after the LSA records were submitted to the Department.

Our findings are described in the Detailed Findings section of this report.

We were not engaged to and did not conduct an examination of the operations of the Library Service Areas, the objective of which would be the expression of an opinion on the financial statements of the Library Service Areas. Accordingly, we do not express such an opinion. Had we performed additional procedures, or had we performed an audit of financial statements of the Library Service Areas, other matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Department of Education, citizens of the State of Iowa and other parties to whom the Iowa Department of Education may report. A copy of the report has been filed with the Attorney General's Office for review and determination of further action, if any. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the assistance extended to us by personnel of the Iowa Department of Education. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 10, 2012

## **Library Service Areas**

## **Detailed Findings**

## **Library Service Areas**

## Library Service Areas

### Background and Detailed Findings

July 1, 2010 through June 30, 2011

#### **Background**

Library Service Areas (LSA) were established as provided in Chapter 256.61 of the Code of Iowa to provide supporting services to libraries. These services included, but were not limited to, consulting, continuing education and interlibrary loan and reference services to assure consistency of service statewide and to encourage local financial support for library services.

The Code of Iowa established seven LSAs to serve and represent geographical regions of the State of Iowa. Each LSA was governed by a seven member board of trustees appointed in accordance with the Code of Iowa. Although only six LSAs existed at June 30, 2011 as a result of a merger between Southeastern Iowa Library Service Area and East Central Iowa Library Service Area, the LSAs established by the Code of Iowa were:

Central Iowa Library Service Area – to serve and represent the counties of Boone, Dallas, Greene, Jasper, Madison, Marion, Marshall, Polk, Story and Warren.

North Central Iowa Library Service Area – to serve and represent the counties of Cerro Gordo, Floyd, Franklin, Hamilton, Hancock, Hardin, Humboldt, Kossuth, Mitchell, Webster, Winnebago, Worth and Wright.

Northwestern Iowa Library Service Area – to serve and represent the counties of Buena Vista, Calhoun, Carroll, Cherokee, Clay, Crawford, Dickinson, Emmet, Ida, Lyon, Monona, O'Brien, Osceola, Palo Alto, Plymouth, Pocahontas, Sac, Sioux and Woodbury.

East Central Iowa Library Service Area – to serve and represent the counties of Benton, Cedar, Clinton, Iowa, Jackson, Johnson, Jones, Linn, Poweshiek and Tama.

Southeastern Iowa Library Service Area – to serve and represent the counties of Appanoose, Davis, Des Moines, Henry, Jefferson, Keokuk, Lee, Louisa, Mahaska, Monroe, Muscatine, Scott, Van Buren, Wapello and Washington. This area merged with the East Central Iowa Library Service Area and was operated as a part of the East Central Iowa Library Service Area administrator and Board of Trustees.

Northeastern Iowa Library Service Area – to serve and represent the counties of Allamakee, Black Hawk, Bremer, Buchanan, Butler, Chickasaw, Clayton, Delaware, Dubuque, Fayette, Grundy, Howard and Winneshiek.

Southwestern Iowa Library Service Area – to serve and represent the counties of Adair, Adams, Audubon, Cass, Clarke, Decatur, Fremont, Guthrie, Harrison, Lucas, Mills, Montgomery, Page, Pottawattamie, Ringgold, Shelby, Taylor, Union and Wayne.

Each LSA has an appointed administrator who has a master's degree in librarianship from a program of study accredited by the American Library Association. Subject to an annual plan of service by the Director of the Iowa Department of Education, each LSA received and expended state appropriated funds. The Code of Iowa established the LSA powers and duties, including the LSA had authority to receive and expend gifts and hold title to property.

Western Iowa Libraries Building Online Resources (WILBOR) is a consortium managed by the Central Iowa Library Service Area, the Southwestern Iowa Library Service Area, the Southeastern Iowa Library Service Area (merged with East Central Iowa Library Service Area) and the Northwestern Iowa Library Service Area. WILBOR purchased downloadable audio books and ebooks for libraries to provide to their patrons. As fiscal agent for WILBOR, the Central Iowa Library Service Area sent invoices, collected fees and paid OverDrive, the digital vendor. OverDrive provided the download service for the libraries, including a collection of audiobooks,

ebooks, music and video for libraries, available on a single website for browsing, checking out and downloading. Participating libraries financed the service for the public.

The North Central Iowa Library Service Area was the fiscal agent for North Eastern Iowa Bridge to Online Resource Sharing (NEIBORS), a downloadable materials project. The North Central Iowa Library Service Area collected funds from its area libraries, the East Central Iowa Library Service Area and the Northeastern Iowa Library Service Area and paid OverDrive to provide the download service.

The BEACON project is a shared catalog between public libraries, school libraries and some academic libraries. It is operated by North Iowa Library Cooperative (NILC), a nonprofit corporation.

LSAs were aware early in fiscal year 2011 legislative action to eliminate LSAs was likely and, during the 2011 session of the Iowa Legislature, House File 645 was introduced to eliminate (close out) the LSAs by repealing applicable sections of the Code of Iowa. House File 645 transferred the activities of the LSAs to the Division of Library Services (State Library of Iowa) of the Iowa Department of Education (Department). House File 645 was to take effect upon enactment or, if approved by the Governor on or after July 1, 2011, would be retroactive to June 30, 2011. The legislation was enacted by the Legislature on June 29, 2011 and signed by the Governor on July 27, 2011.

As a result of the legislation signed by the Governor, any funds remaining in the LSA bank accounts were to be remitted to the Iowa Department of Education. In addition, certain assets were to be given to the Department while other assets were to be disposed of, either by selling them at fair market value or, if the assets had little or no fair value, given to a library within the LSAs area or scrapped. All records were to be sent to the Department for storage, archive or proper disposal. **Appendix A** is the letter from the Department to the LSAs documenting the Department's guidance in preparing for the consolidation.

The Department requested to be added to all bank accounts and credit/charge card accounts for proper disposition of the accounts and to ensure all outstanding obligations were properly made from the LSA accounts prior to closure. Several payments were made by the Department from the Northeastern Iowa LSA bank account. All bank accounts were subsequently combined into the Central Iowa LSA bank account and all remaining payments were made from this account.

According to representations made by some Administrators of the LSAs and State Library of Iowa staff, offices in Ankeny and Waterloo were kept open to be used as District offices. The office in Council Bluffs was kept open until September 2011 to allow staff time to relocate to a different office.

## Detailed Findings

When the LSAs ceased operations, they were to send all records and documentation from their offices to the Iowa Department of Education. We used this information to perform the procedures listed in the Independent Accountant's Report on Applying Agreed Upon Procedures. As a result of the procedures performed, we have the following findings pertaining to each LSA:

### A. Central Iowa Library Service Area (CILSA)

1. The Board of Trustees minutes for the January 19, 2011 meeting document designation of \$37,500 of reserve funds to be used as grants for area libraries and an additional designation of \$37,500 of reserve funds for the purchase of ebooks. The minutes for the April 20, 2011 meeting document approval of a motion to increase the grant funds to \$40,000, with the additional \$2,500 designated for the Des Moines Public Library.

A total of 54 libraries applied for and were awarded grants. The grants paid by CILSA in May and June 2011 total \$25,090. Grants were not previously awarded by this LSA. Therefore, it appears CILSA spent these funds to avoid having to remit them to the Department.

Although the minutes document approval to use reserve funds for the purchase of ebooks, no funds were expended for ebooks.

2. Although the minutes of the November 17, 2010 meeting included discussion of using \$17,000 of reserve funds to purchase WILBOR ebooks, no funds were expended for WILBOR ebooks.
3. Although the March 16, 2011 Board minutes included Board approval to designate \$125,000 to purchase additional ebooks, no funds were expended for additional ebooks.
4. Although the April 20, 2011 Board minutes documented Board approval to purchase a laminator for \$1,900, a book binder for \$570, a server and installation for \$5,000 and a World Trade Press database for all area libraries for \$11,250, no funds were expended for these items.
5. CILSA purchased \$1,000 in prepaid postage on June 20, 2011 to be used by the District Office during the year ended June 30, 2012 after CILSA ceased operations. CILSA staff represented it was because of the close out of the LSA.
6. CILSA paid the City of Ankeny \$1,200 of rent for the year ended June 30, 2012. The State Library stated it would be using this office space.
7. The March 15, 2011 Board minutes documented Board approval to purchase a new copier at a cost not to exceed \$15,000. A copier was purchased by CILSA on April 15, 2011 for \$4,577. The copier is currently in the location the State Library is using as a District Office.
8. In July 2011, CILSA purchased \$12,959 of office equipment and paid \$38,634 for a vehicle. According to the Director of CILSA, this was a request from the State Library.
9. There was no supporting documentation for the calculation of the payout of vacation balances at the end of fiscal year 2011. Therefore, we were unable to determine if the \$4,300 paid on June 30, 2011 and the \$271 paid on July 28, 2011 were reasonable.

B. North Central Iowa Library Service Area (NCILSA)

1. During the September 22, 2010 Board of Trustees meeting, the Board approved changing its personnel policy. The revised personnel policy states, "Employees who have accrued at least 240 hours of sick leave may elect to accrue additional vacation in lieu of traditional sick leave. The conversion shall be on the basis of one hour of vacation for three hours of sick leave for each full month when sick leave is not used during that month. The maximum number of hours of vacation time that can be accrued using sick leave conversion is 240 hours."

On May 1, 2011, prior to employee separation and the LSA's year end, NCILSA paid \$16,576 to three employees for conversion of sick leave to vacation. While all employees had at least 240 hours of sick leave available at the payout date, records available for the year ended June 30, 2011 indicate sick leave had been taken in several months during the year by two of the employees. The policy stated the conversion would be available only when sick leave was not used during the month. It is not clear whether this was considered when determining the amount converted and paid out as additional vacation.

2. On February 1, 2011, NCILSA paid \$5,600 for an annual copyright compliance site license for area libraries for the period March 1, 2011 through February 28, 2012. In addition, NCILSA made another payment on June 15, 2011 for the same license for the period February 29, 2012 to February 28, 2013.
3. On June 8, 2011, NCILSA paid \$15,000 for a subscription renewal for the period July 1, 2011 to June 30, 2012.
4. Although the minutes of the May 25, 2011 Board meeting document Board approval to use funds received from the sale of any items purchased with State funds to be used for on-going support of the NEIBORS project, no evidence was noted this was done.
5. Although the May 25, 2011 Board minutes document Board approval allocating up to \$30,000 to the BEACON project, no funds were used for this purpose.
6. Bank statements for June 2011 could not be located in the files provided for the two NCILSA bank accounts. In addition, the bank statement for May 2011 was located for only one of the two bank accounts.
7. Bank reconciliations for the months of May and June 2011 were not located in the files provided.
8. The Department was not added to any of NCILSA's bank accounts prior to close out as requested by the Department.
9. The disposition of several items on the capital asset listing could not be determined from the records provided to the Department. Of the items noted as sold, there was no documentation of the proceeds or who purchased the items. Also, since the May and June bank statements were not available, as previously noted, we were unable to determine when, in what account or whether the sale proceeds were deposited.
10. According to vacation and sick leave records provided, earned and used vacation and sick leave was recorded through March 2011 for one NCILSA employee and through December 2010 for the other two employees. Therefore, we were unable to determine the correct vacation balances at the

end of the year or whether the \$2,881 paid on May 15, 2011 and the \$1,239 paid on June 29, 2011 were correct.

11. Documentation of authorized salaries was not located.
12. The check register or listing of expenses for October and November 2010 and April and June 2011 were not located. Therefore, we were not able to determine whether the invoices provided were complete.
13. Supporting documentation was not located for trustee travel of \$52 and payments to Jina's Cakes for \$125.
14. Financial statements as of June 30, 2011 were not located.
15. Board minutes for March and June 2011 were not located.

C. Northwestern Iowa Library Service Area (NWILSA)

1. The minutes for several Board meetings noted discussion by the Board of Trustees of expecting to spend down some of the cash reserve balances if the proposed legislation was passed.
2. On June 30, 2011, NWILSA paid the Online Computer Library Center \$2,380 for a year of service for "Survey Monkey" in advance. This had previously been paid on a month to month basis.
3. In June 2011, NWILSA purchased two laptop computers for \$2,880 and a vehicle for \$21,287. According to the minutes of the June 28, 2011 Board meeting, these purchases were requested by staff of the State Library.
4. NWILSA paid a vendor \$50 on April 30, 2011 and June 30, 2011 for the same invoice.
5. NWILSA uses an accounting firm for many daily operations. Bank reconciliations prepared by the accounting firm do not provide enough detail to determine whether they were proper and there was no evidence indicating the bank reconciliations were reviewed by a NWILSA employee.
6. Certain furniture sold to an area library was not specifically listed on the asset listing, so we were unable to determine whether the asset was sold for fair value. We were also unable to specifically trace the \$140 payment by check to a bank statement.
7. A compensated absences policy was not located.
8. Documentation of authorized salaries was not located.

D. East Central Iowa Library Service Area (ECILSA)

1. During the April 20, 2011 Board of Trustees meeting, the Board approved changing the personnel policy to, "Employees terminating employment at ECRL (ECILSA) will be paid for unused vacation time earned up to the termination date." The minutes then stated, "This allows staff to be paid for sick leave converted to vacation days upon termination because of extenuating circumstances (office closure)." The revised policy further states, "Sick leave transfer to vacation: an eligible staff member may elect, by the 10<sup>th</sup> of the month following any calendar month in which there has been no time lost chargeable to sick leave, to exchange the monthly sick leave accrual (1½ days) for (1/2 day) of vacation time. Eligibility for the program is limited to permanent staff members who have accumulated a

minimum of thirty (30) days of sick leave.” The previous policy allowed for payout of vacation leave, not to exceed 30 days, upon separation from employment.

Two employees did not have more than 30 days of sick leave, so they were not eligible to convert unused sick leave to vacation upon termination. One employee was allowed to convert 66 days of unused sick leave to 22 days of vacation, resulting in 42.75 days of vacation being paid out at termination. The other employee was allowed to convert 69 days of unused sick leave to 23 days of vacation, for a total of 25.083 days of vacation being paid out at termination. The conversion of sick leave to vacation resulted in \$10,708 of additional vacation paid out upon termination.

Although the policy was approved in April 2011 and did not include any retroactive provisions, the records for one employee showed conversion started in October 2010 and amounts converted were made for five different months for various amounts. The records for the second employee show conversion started in June 2010, also in varying amounts over five months.

2. The March 8, 2011 minutes document approval of the purchase of an electronic license for four A-Z databases for the Southeastern and East Central Libraries at a cost of \$15,000 for the period April 1, 2011 to March 31, 2012.
3. On March 8, 2011, the Board approved spending \$5,000 to be split between NEIBORS and WILBOR to purchase more materials. On May 18, 2011, the Board directed any available funds be used to purchase more materials for NEIBORS and WILBOR.

On June 15, 2011, a payment of \$4,000 for NEIBORS was made for the period July 1, 2011 through June 30, 2012. ECILSA typically made quarterly payments for NEIBORS purchases. For the year ended June 30, 2011, payments for NEIBORS exceeded revenue received from area libraries. ECILSA spent \$20,540 on NEIBORS for the year ended June 30, 2011 and only reported \$8,740 of revenue for NEIBORS, a difference of \$11,800.

4. The April 20, 2011 minutes document approval of the purchase of a language database subscription at a cost of \$8,000 for the period June 1, 2011 through June 30, 2012. In May 2011, two more schools were added to the subscription at an additional cost of \$800, bringing the total cost for the year to \$8,800.
5. Monthly bank reconciliations were not located.
6. The disposition of several items on the capital asset listing could not be determined from the records provided.
7. There were no amounts listed on the capital asset listing, so we were unable to determine whether the assets listed as sold were sold at a fair market value.
8. For 14 assets noted as being sold or donated, no receipts for sale proceeds were found, so we were unable to trace the proceeds to a deposit slip. In addition, we were unable to trace cash sales to a deposit slip since multiple sources of cash were combined on the deposit slip.
9. ECILSA had \$7,228, \$1,768 and \$1,099 in past due taxes owed to the Iowa Department of Revenue, the Illinois Department of Revenue and the

Internal Revenue Service (IRS), respectively, when the office closed. Of these amounts, \$2,867 was related to December 30, 2010 and before. In addition, the IRS billed the LSA \$13,471 for "Failure to File Forms W-2". The past due taxes and penalty related to the Southeastern Library Service Area, which merged with ECILSA. Also, there was \$1,988 in other known outstanding bills owed when the office closed. The Department subsequently paid these bills with remaining LSA funds.

E. Northeastern Iowa Library Service Area (NEILSA)

1. On June 13, 2011, NEILSA purchased \$25,000 of universal class subscriptions for the year ended June 30, 2012.
2. NEILSA made quarterly payments for the NEIBORS subscription and material throughout the year ended June 30, 2011. The amount paid in the third and fourth quarters was \$1,212 and \$7,397, respectively, more than the amounts spent in each of the first and second quarters. According to the NEILSA Administrator, approximately \$5,000 of the \$7,397 was made from LSA funds and not from the amounts paid by area libraries.
3. In June 2011, NEILSA purchased computer/camera equipment for \$5,249, ten computer packages for \$9,992 and two computer packages for \$4,775. The NEILSA Administrator stated these items were purchased for a service area portable computer lab.
4. Supporting documentation for the purchase of OverDrive material for \$8,680 was not located.
5. Documentation of authorized salaries was not located.
6. The capital asset listing provided did not include the cost of assets or the date of purchase.
7. Documentation of the determination of the fair value of assets sold was not located.
8. In July 2011, NEILSA paid rent of \$4,000 for the entire year ending June 30, 2012. NEILSA had been paying rent on a month-to-month basis. This office is currently being used as a District Office.

F. Southwestern Iowa Library Service Area (SWILSA)

1. The June 1, 2011 minutes reported the SWILSA Administrator shared an email from the State Library requesting SWILSA purchase as much of a list of equipment as possible. The minutes also reported the Board discussed this and noted much of their existing equipment was still working and it was reluctant to commit funding at that point due to concerns about funds and obligations yet to be met. The Board identified priorities, including a printer/copier and a laptop computer. It authorized the SWILSA Administrator to purchase what she deemed necessary.

On June 30, 2011, SWILSA purchased a laptop computer for \$1,440, headphones for \$212 and an HP printer for \$819 for the State Library. Support for the computer purchase was not located.

2. A compensated absences policy was not located.
3. Documentation of authorized salaries was not located.

**Schedule 1**

## Library Service Areas

## Schedule of Questionable Payments

July 1, 2010 through June 30, 2011

	Central Iowa	North Central Iowa	North- western Iowa	East Central Iowa	North- eastern Iowa	South- western Iowa	Total
Grants provided to area libraries	\$ 25,090	-	-	-	-	-	25,090
Additional compensated absences due to change in policy	-	16,576	-	10,708	-	-	27,284
Compensated absences paid without proper support	4,571	4,120	-	-	-	-	8,691
Prepaid expenses:							
Postage	1,000	-	-	-	-	-	1,000
Rent	1,200	-	-	-	4,000	-	5,200
Licenses	-	11,200	2,380	15,000	-	-	28,580
Subscriptions	-	15,000	-	8,800	25,000	-	48,800
Subtotal	2,200	26,200	2,380	23,800	29,000	-	83,580
Purchase of equipment:							
Computer/camera equipment	-	-	-	-	5,249	-	5,249
Computer packages	-	-	-	-	14,767	-	14,767
Subtotal	-	-	-	-	20,016	-	20,016
Purchases in excess of revenue received	-	-	-	11,800	5,000	-	16,800
Duplicate payment of one invoice	-	-	50	-	-	-	50
Payment made without support	-	-	-	-	8,680	-	8,680
Equipment purchased for the State Library:							
Office equipment	17,536	-	2,880	-	-	2,471	22,887
Vehicle	38,634	-	21,287	-	-	-	59,921
Subtotal	56,170	-	24,167	-	-	2,471	82,808
Total	\$ 88,031	46,896	26,597	46,308	62,696	2,471	272,999

## Library Service Areas

## Schedule of Remaining Cash Balances

As of February 20, 2012

	Central Iowa	North Central Iowa	North- western Iowa	East Central Iowa	North- eastern Iowa	South- western Iowa	Directly to Iowa Department of Education	Total
Payments made by the Department prior to consolidating accounts into one account:								
Accounting	\$ -	-	-	-	300	-	-	300
Various monthly charges	-	42	565	851	933	277	-	2,668
Insurance	-	-	-	306	-	-	-	306
IPERS	-	430	-	-	-	-	-	430
Past due taxes	-	-	-	4,659	-	-	-	4,659
Miscellaneous	-	-	55	35	392	390	-	872
Copier lease and maintenance	-	-	4,789	-	-	-	-	4,789
Equipment lease	-	-	-	796	33	-	-	829
Total	\$ -	472	5,409	6,647	1,658	667	-	14,853
Balances remitted to the Department:								
Balance of account left open	\$ 3,703	-	-	-	-	-	-	3,703
September 27, 2011	-	8,083	36	2,265	-	750	-	11,134
October 12, 2011	-	8,435	-	-	-	-	-	8,435
October 20, 2011	-	-	28,462	-	215	458	-	29,135
October 28, 2011	-	-	-	-	151,386	-	-	151,386
November 14, 2011	-	-	-	-	-	-	7,228	7,228
November 30, 2011	-	-	-	1,613	90	-	-	1,703
December 16, 2011	-	-	-	-	91	-	-	91
December 29, 2011	268	-	-	-	-	-	-	268
February 6, 2012	-	-	-	-	34	-	-	34
Total remitted	3,971	16,518	28,498	3,878	151,816	1,208	7,228	213,117
Payments made by the Department:								
Accounting	1,365	390	295	-	-	-	-	2,050
Various monthly charges	697	225	133	-	-	200	-	1,255
Past due taxes	-	-	-	5,436	-	-	-	5,436
Penalty for failure to file W-2 forms	-	-	-	13,471	-	-	-	13,471
Payroll taxes	-	4,066	570	-	50	-	-	4,686
Miscellaneous	99	-	-	-	548	108	-	755
Copier lease and maintenance	-	-	-	-	4,020	-	-	4,020
Postage meter lease	-	-	-	211	664	-	-	875
Rent	-	-	499	-	-	363	-	862
Total paid	2,161	4,681	1,497	19,118	5,282	671	-	33,410
Amount held by the Department as of February 20, 2012	\$ 1,810	11,837	27,001	(15,240)	146,534	537	7,228	179,707

## **Library Service Areas**

**Exhibit**

Library Service Areas

Letter from Department of Education to  
Library Service Area Administrators



STATE OF IOWA

TERRY BRANSTAD, GOVERNOR  
KIM REYNOLDS, LT. GOVERNOR

DEPARTMENT OF EDUCATION  
JASON E. GLASS, DIRECTOR

To: Administrators, Library Service Areas

From: Jeff Berger, Administrator, Department of Education

Cc: Mary Wegner, Director, State Library  
Sandy Dixon, State Library  
Sue Battani, State Auditor's Office  
Calvin McKelvogue, DAS-SAE  
Shauna Shields, Attorney General's Office  
Internal Operations, Department of Education

Subject: Preparation for consolidation of Library Service Areas under the State Library

Date: May 23, 2011

While we don't have a signed library reorganization bill yet, we expect passage of reorganization legislation yet this session, as part of the Education Appropriations bill. Since all appropriations bills are in the mix of negotiations between the legislature and Governor, the timeline for this consolidation upon passage could be very short. In that light, it makes sense to begin the preparation for this transfer now.

To properly guide you on the details of this consolidation, we must first ask for information from you to review so we can get an accurate view of the current situation in each Library Service Area. As a result, this first contact is really simply a list of information we need and will review so we can better advise you on the details.

Please compile and submit the following information by Friday, June 3, 2011:

1. Copies of the last two local audits, including the names of the auditors and contact information, including name, phone number and principal auditor.
2. A list of sources of revenue other than state revenue.
3. Copies of all current contracts, service contracts, leases and any other agreements with other individuals or entities.
4. A detailed capital asset inventory including capital assets and locations of each asset, including vehicles and technology for the last three years.
5. Payroll records including all employees for this current year and a summary of existing vacation and sick leave and compensatory time, if any.

Grimes State Office Building - 400 E 14th St - Des Moines IA 50319-0146  
PHONE (515) 281-5294 FAX (515) 242-5988  
[www.iowa.gov/educate](http://www.iowa.gov/educate)  
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Library Service Areas

Letter from Department of Education to  
Library Service Area Administrators

6. A list of all bank accounts for all revenues accessible by the Library Service Area. (Checking account, savings account, CDs, investments, etc.)
7. Personnel records which verify the beginning date of employment for each LSA employee who plans to apply for state employment.
8. The contact information for the entity or individual managing your accounts.
9. The contact information for your current board president.
10. The current year budget and ledger of expenditures to date and obligations through the end of the fiscal year.
11. Listing of credit cards or other charge cards in the name of the LSA.

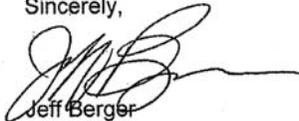
Once these materials are received, we will quickly review the information and create a second document that will provide procedures to handle the various details of consolidation that will have to be managed.

We will also create opportunities for regular dialogue on this issue. Sandy Dixon is visiting each LSA office to assist you with this process.

We also strongly encourage you to stop using any credit cards now, since billing for those cards is always a month in arrears.

Thanks for your patience – we will get through this process together. Please let me know if you have additional concerns. Please compile lists of questions you have for further discussion and attention once we begin developing the details of this transition.

Sincerely,



Jeff Berger  
Administrator, COO, CFO  
Iowa Department of Education  
(515) 281-3968  
[Jeff.berger@iowa.gov](mailto:Jeff.berger@iowa.gov)

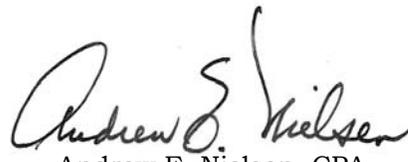
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Library Service Areas

Staff

This agreed upon procedures engagement was performed by:

Pamela J. Bormann, CPA, Manager  
Tiffany M. Ainger, Staff Auditor  
Jamie T. Reuter, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State