



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – Issued July 10, 2018

Massachusetts Board of Library Commissioners

For the period July 1, 2015 through June 30, 2017





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Making government work better

July 10, 2018

Ms. Mary Ann Cluggish, Chair
Massachusetts Board of Library Commissioners
98 North Washington Street, Suite 401
Boston, MA 02114

Dear Ms. Cluggish:

I am pleased to provide this performance audit of the Massachusetts Board of Library Commissioners. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2015 through June 30, 2017. My audit staff discussed the contents of this report with management of the agency, whose comments are reflected in this report.

I would also like to express my appreciation to the Massachusetts Board of Library Commissioners for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMB", written over a light blue circular stamp.

Suzanne M. Bump
Auditor of the Commonwealth

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LIST OF ABBREVIATIONS

DCAMM	Division of Capital Asset Management and Maintenance
ERM	enterprise risk management
ICP	internal control plan
LSTA	Library Services and Technology Act
MBLC	Massachusetts Board of Library Commissioners
MPLCP	Massachusetts Public Library Construction Program
OSA	Office of the State Auditor
OSC	Office of the State Comptroller

EXECUTIVE SUMMARY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of the Massachusetts Board of Library Commissioners (MBLC) for the period July 1, 2015 through June 30, 2017. In this performance audit, we followed up on issues identified in our previous audit of MBLC (No. 2013-0165-3S) to determine what measures, if any, MBLC's management had taken to address those issues. During the prior audit, we examined MBLC's monitoring of library construction projects, the timeliness of the submission of monthly reports on library construction projects to MBLC, MBLC's reviewing of contractor certification files, MBLC's documentation of formal site visits to sub-grantees, and the adequacy of MBLC's internal control plan (ICP).

During our current audit, we found that MBLC had taken measures to fully address only one of the four issues we identified in our prior audit. Specifically, in our prior audit, we found that MBLC had not required municipalities that had been awarded Massachusetts Public Library Construction Program (MPLCP) grants to view contractor certification files at the Division of Capital Asset Management and Maintenance (DCAMM) for the responsible general contractors who submitted the lowest eligible bids before making a final determination for construction work on their library projects. Review of certification files allows municipalities to further substantiate bidders' job performance on prior state projects and assess their ability to provide project services in a timely and professional manner. During our current audit, we found that MBLC had updated Section 6.09 1(b)(3)(b) of Title 605 of the Code of Massachusetts Regulations to require municipalities that have been awarded MPLCP grants to review the DCAMM contractor certification files of the lowest responsible eligible bidders for general contract work before final contractor selection.

MBLC has not taken measures to fully address the three other issues we previously identified. Below is a summary of our findings and recommendations, with links to each page listed.

Finding 1a Page 6	MBLC did not ensure that it received monthly library construction project reports in a timely manner.
Finding 1b Page 7	MBLC did not conduct site visits to all sub-grantees.
Finding 1c Page 8	MBLC's ICP did not comply with the Office of the State Comptroller's requirements, and MBLC had not established adequate controls over this activity.
Recommendations Page 9	<ol style="list-style-type: none">1. MBLC should enhance its policies and procedures for the administration of its monthly construction reports. The policies and procedures should include a requirement that the reports be submitted after the report month's end, by a specific date, and follow-up procedures to ensure that they are submitted on time.2. MBLC management should take the measures necessary to ensure that all site visits are conducted as required and that Site Visit Report forms are completed to document each visit.3. MBLC should prepare an updated ICP that includes and identifies all eight components of enterprise risk management and develop proper internal controls over this activity to ensure that it is properly conducted annually.

OVERVIEW OF AUDITED ENTITY

The Massachusetts Board of Library Commissioners (MBLC) was established in 1890 under Chapter 78 of the Massachusetts General Laws and is governed by nine commissioners appointed by the Governor. The board chair is appointed by the commissioners, and the commissioners hire a director, who is responsible for administering MBLC's programs and advisory services. According to its website, MBLC is "the agency of state government with the statutory authority and responsibility to organize, develop, coordinate, and improve library services throughout the Commonwealth." The website also states, "MBLC strives to provide every resident of the Commonwealth with full and equal access to library information resources regardless of geographic location, social or economic status, age, level of physical or intellectual ability, or cultural background."

MBLC administers state and federal grant programs for libraries of all types throughout the Commonwealth. During our audit period, MBLC received state appropriations totaling \$47.62 million for fiscal year 2016 and \$40.35 million for fiscal year 2017. The grants awarded by MBLC during the audit period totaled approximately \$55.58 million and were as follows:

- State Aid to Public Libraries: \$18,029,000. State Aid to Public Libraries is an annual, voluntary program. Its purpose is to encourage municipalities to support library services and resource sharing and to help compensate for additional costs and disparities in funding among municipalities. The funding for the Massachusetts Library System is included in State Aid to Public Libraries.
- Massachusetts Public Library Construction Program (MPLCP): \$31,874,536. According to MBLC's website, "[MPLCP] helps communities improve their public library facilities through funding and technical assistance for planning and design and construction projects."
- Federal Library Services and Technology Act (LSTA) Grants to States Program: \$5,679,658. Each year, MBLC receives an allotment based on the state population and the level of appropriation from the federal Institute of Museum and Library Services. The LSTA Grants to States Program allows MBLC to design grant programs from which awards are provided to eligible public libraries to provide new services or enhance existing ones.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a performance audit of certain activities of the Massachusetts Board of Library Commissioners (MBLC) for the period July 1, 2015 through June 30, 2017.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Below is a list of our audit objectives, indicating each question we intended the audit to answer, the conclusion we reached regarding each objective, and where each objective is discussed in this report.

Objective	Conclusion
1. Does MBLC conduct performance assessments on construction projects to evaluate whether they meet the needs of the community?	No; see <u>Other Matters</u>
2. Did MBLC take corrective measures to address all the issues identified in OSA's prior audit (No. 2013-0165-3S)?	No; see Findings <u>1a</u> , <u>1b</u> , and <u>1c</u>

To achieve our audit objectives, we gained an understanding of the internal controls that we determined to be relevant to our audit objectives by reviewing applicable laws, regulations, and agency policies and procedures, as well as conducting inquiries with MBLC's staff and management. Additionally, we performed the procedures described below.

Assessment of Completed Construction Projects

During our audit period, three Massachusetts Public Library Construction Program (MPLCP) construction projects were completed. We reviewed all three to determine whether documentation included (1) an application, a letter of intent, a needs assessment, and grant contracts and (2) the data necessary for MBLC to perform assessments of the new or additional services provided through the projects. Additionally, we visited all three locations and met with the library staff to discuss the projects.

MPLCP Construction Project Reports

Of the 277 monthly construction project reports due MBLC during our audit period, we tested a nonstatistical random sample of 28 to ensure that each was submitted and received on time.

Consultant Site Visits for Library Services and Technology Act Projects

From the 63 annual site visits performed by MBLC consultants for Library Services and Technology Act (LSTA) projects during our audit period, we tested a nonstatistical random sample of 12 site visits to determine whether MBLC consultants documented these visits on Site Visit Report forms.

Internal Control Plan

We obtained a copy of the MBLC internal control plan that was in place during our audit period to determine whether it contained the components required by the Office of the State Comptroller regarding the annual updating of the plan, the annual submission of an Internal Control Questionnaire, enterprise risk management, and a departmental risk assessment.

Data Reliability

To determine the reliability of data on MBLC's spreadsheet of monthly reports from library construction projects, we interviewed management personnel who were responsible for the MPLCP construction reports and for the source data. We obtained original source documents, such as the monthly construction reports submitted for MBLC grant-funded projects, to validate the accuracy of the spreadsheet.

To determine the reliability of the data in the spreadsheet of Site Visit Report forms for LSTA grants, which tracks consultant visits to libraries that receive federal funds, we interviewed management personnel who were responsible for the LSTA process and for the source data. We obtained original source documents such as consultant Site Visit Report forms to validate the accuracy of the spreadsheet of Site Visit Report forms for LSTA grants. We determined that the data were sufficiently reliable for the purposes of our audit report.

We used nonstatistical sampling to help us achieve our audit objectives and therefore did not project our results to the various populations.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. The Massachusetts Board of Library Commissioners did not take corrective measures to address all the issues identified in our prior audit.

An objective for the current audit was to determine whether the planned actions in the auditee's responses to the findings from the prior audit (No. 2013-0165-3S), issued in October 2014, had been implemented. The current audit identified one that had been adequately addressed. The remaining three, and the results of the audit procedures from our current audit, are discussed below.

a. The Massachusetts Board of Library Commissioners did not ensure that it received monthly library construction project reports in a timely manner.

In our prior audit, we determined that monthly construction project reports for the Massachusetts Public Library Construction Program (MPLCP) were submitted late, or in some cases not at all, to the Massachusetts Board of Library Commissioners (MBLC) by library directors / project managers. In that audit, we determined that 46 reports (28% of the sample tested) were received up to five months late, and 57 reports (35% of the sample tested) were not received at all. Missing reports could prevent MBLC from receiving necessary project information. Delayed reports may be less relevant and useful than timely ones and could reduce MBLC's ability to make informed decisions about grantees' performance and adherence to grant agreement provisions, as well as its ability to ensure that MPLCP grant funds are properly accounted for and appropriately spent.

During the current audit, our initial review of a nonstatistical random sample of 28 MPLCP construction project reports due during the audit period showed that 17 (61%) of the construction project reports arrived late (some up to five months late) and 3 (11%) were never submitted to MBLC for review.

Authoritative Guidance

In response to the previous audit report, the auditee committed to assigning MPLCP construction reports a due date one month after the end of the reporting month and sending an alert five days before the deadline.

Reasons for Noncompliance

MBLC management indicated that there had been significant managerial staffing changes since the prior audit, affecting its ability to implement the policies and procedures recommended in our prior report.

b. MBLC did not conduct site visits to all sub-grantees.

In our prior audit, we determined that MBLC's Library Services and Technology Act (LSTA) consultants¹ did not document on Site Visit Report forms their visits to sub-grantee sites. Our current audit showed that in some instances, LSTA consultants did not actually conduct required site visits. We selected a nonstatistical random sample of 12 of the 63 site visits that LSTA consultants were required to make to projects that were ongoing during the audit period, and we identified 3 instances in which LSTA consultants did not conduct required site visits. Because it is not ensuring that all these site visits are conducted, MBLC is not taking all the measures necessary to ensure that libraries that receive sub-grants comply with all sub-grant requirements. Additionally, MBLC may not have the most recent and accurate information available about its ongoing projects, which it needs to communicate to the Institute of Museum and Library Services (the overseer of states' administration of the LSTA Grants to States Program) and the State Advisory Council on Libraries.

Authoritative Guidance

Part 3 of the Office of Management and Budget Circular A-133 Compliance Supplement for 2013, which was in effect during the audit period, includes a sub-recipient monitoring requirement for pass-through entities. (MBLC is considered a pass-through entity because it receives federal LSTA grants from which it provides sub-grants to libraries.)

Monitoring activities normally occur throughout the year and may take various forms, such as:

- *Reporting—Reviewing financial and performance reports submitted by the subrecipient.*
- *Site Visits—Performing site visits at the subrecipient to review financial and programmatic records and observe operations.*

1. These employees' job title is "consultant," but they are permanent, full-time MBLC employees.

- *Regular Contact—Regular contacts with subrecipients and appropriate inquiries concerning program activities.*

To ensure compliance with this requirement, MBLC's internal control plan (ICP) states, "Consultants will do at least one site visit with each grant recipient."

Site visits are an important aspect of proper project administration, as they allow MBLC to perform activities such as accurately assessing the progress of a project, determining whether a project is on schedule, and identifying any problems that might be causing project delays and possibly cost overruns so that they can be addressed expeditiously.

Reason for Noncompliance

According to MBLC management, because of staffing issues, the agency allowed LSTA consultants to conduct telephone interviews on the occasions in question instead of onsite visits. However, they did not complete either Site Visit Report forms or some other type of record to substantiate this.

c. MBLC's ICP did not comply with the Office of the State Comptroller's requirements, and MBLC had not established adequate controls over this activity.

In our prior audit, we determined that MBLC's ICP did not comply with all of the Office of the State Comptroller's (OSC's) requirements. As of our current audit period, the MBLC had not performed any substantive updates to the ICP since 2015, and the ICP in place did not address all eight components of enterprise risk management (ERM). In addition, MBLC did not have any policies and procedures in place to ensure that annual activities related to the proper development and updating of its ICP were conducted. Without assurance that these activities are performed in accordance with all OSC requirements, MBLC may not have a control structure that ensures that it achieves its objectives efficiently and effectively.

Authoritative Guidance

OSC's 2015 Internal Control Guide states,

The internal control plan is a summary describing how a department expects to meet its various goals and objectives by using mitigating controls to minimize risk. Each department's internal control plan will be unique; however it must be based on the ERM framework discussed in this guide.

Management is responsible for operating an effective system of monitoring whereby all ERM components are periodically reviewed. Consistent monitoring of all components will ensure that the ICP (which must be reviewed and updated at least annually) is updated whenever changing conditions warrant.

Since a department's policies and procedures are the control activities for the internal control plan, it is important that they be reviewed in conjunction with the plan, and referenced where appropriate. Everyone in the organization has a responsibility to ensure that internal controls operate effectively.

Reasons for Issues

MBLC officials stated that extended vacancies (which had recently been filled) in three senior management positions made it unable to properly train employees as necessary to give them a comprehensive understanding of agency policies and procedures that are required to accurately update and complete the ICP.

Recommendations

1. MBLC should enhance its policies and procedures for the administration of its monthly construction reports. The policies and procedures should include a requirement that the reports be submitted after the report month's end, by a specific date, and follow-up procedures to ensure that they are submitted on time.
2. MBLC management should take the measures necessary to ensure that all site visits are conducted as required and that Site Visit Report forms are completed to document each visit.
3. MBLC should prepare an updated ICP that includes and identifies all eight components of ERM and develop proper internal controls over this activity to ensure that it is properly conducted annually.

Auditee's Response

Finding 1a . . . regarding library construction reports:

The agency does have policies and procedures in place for the administration of its monthly construction reports. As part of their grant materials, grantees are notified of the requirement to submit reports within 30 days after the end of each month, with a final report due within 180 days of the final payment. Monthly reminders are emailed to the library director where the project is taking place. Reports are received, date stamped, logged, and filed. . . .

The finding in this review period (that reports were submitted late or in some cases not at all) is accurate and we are adding to our procedures to ensure that the reports are submitted in a timely manner.

Finding 1b . . . regarding LSTA sub-grantee site visits:

It is accurate that not all site visits in this review period were conducted. This occurred in 3 instances and all missed site visits were visits that were supposed to be conducted by one staff member.

Finding 1c . . . regarding the ICP:

The findings are accurate.

Auditor's Reply

Based on its response, MBLC is taking some measures to address our concerns in this area, but we again recommend that it consider implementing all of our recommendations, which we believe should adequately address the issues we identified during our audit.

OTHER MATTERS

The Massachusetts Board of Library Commissioners does not evaluate its grant-funded construction projects after construction is complete.

For all three Massachusetts Public Library Construction Program projects completed during our audit period, the Massachusetts Board of Library Commissioners (MBLC) did not perform comprehensive post-construction evaluations and thus, in the Office of the State Auditor's opinion, limited its ability to determine whether each project was conducted so as to fully meet the needs of the community.

MBLC should perform a review of its documentation on file (application, letter of intent, needs assessment, and construction contract, along with the data in its Annual Report Information Survey database) to develop reports to perform post-construction evaluations of projects to determine whether each has fully met the needs of the community.

MBLC officials responded to this issue as follows:

The agency does conduct post-construction evaluations, including walkthroughs of the building site, confirmation that the project is completed as designed, and meetings with library directors and designers.

The recommendation that the MBLC should develop reports of such post-construction evaluations is an item that the agency is already undertaking for future projects, but it is accurate that it was not something that was developed for the three projects completed during the audit period.