

SINGLE AUDIT REPORT

American Library Association
Year Ended August 31, 2007
With Reports of Independent Auditors

American Library Association

Single Audit Report

Year Ended August 31, 2007

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Report of Independent Auditors

The Executive Board
American Library Association

We have audited the accompanying statements of financial position of American Library Association (Association) as of August 31, 2007 and 2006, and the related statements of activities and cash flows (not included herein) for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Association's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of August 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2007, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



December 21, 2007

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of the Financial Statements
Performed in Accordance With *Government Auditing Standards*

The Executive Board
American Library Association

We have audited the financial statements of American Library Association (Association) as of and for the year ended August 31, 2007, and have issued our report thereon dated December 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting 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 Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to management of the Association in a separate letter dated December 21, 2007.

This report is intended solely for the information and use of management, Executive Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



December 21, 2007

Single Audit Report

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

The Executive Board
American Library Association

Compliance

We have audited the compliance of American Library Association (Association) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2007. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Association's management. Our responsibility is to express an opinion on the Association's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Association's compliance with those requirements.

In our opinion, the Association complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2007-01.

Internal Control Over Compliance

The management of the Association is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Association's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Association's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Association's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, Executive Board, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

May 28, 2008,
except the paragraph on the Schedule of
Expenditures of Federal Awards, for which the date is
December 21, 2007

American Library Association

Schedule of Expenditures of Federal Awards

Year Ended August 31, 2007

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Pass-Through Identification	Federal Expenditures
Department of Education (DOE)			
Passed through American Inst. for Research	84.Unknown	N/A	\$ 1,637
Passed through Synergy	84.Unknown	N/A	23,889
Subtotal for DOE			<u>25,526</u>
Department of Justice (DOJ)			
Kids Count	16.Unknown	N/A	10,249
Subtotal for DOJ			<u>10,249</u>
National Institutes of Health (NIH)			
Frankenstein	93.Unknown	N/A	3,778
Changing the Face of Medicine	93.Unknown	N/A	36,330
NLM-JCLC-Preconference	93.Unknown	N/A	25,000
Goodhealth Information @ Your Library	93.Unknown	N/A	29,822
Subtotal for NIH			<u>94,930</u>
Institute of Museum and Library Services (IMLS)			
National Leadership Grants	45.312	N/A	114,217
Laura Bush 21st Century Librarian Program	45.313	N/A	297,778
Passed through Spectrum Doctoral Fellowship	45.313	RE-02-06-0015-06	12,000
Subtotal for IMLS			<u>423,995</u>
National Endowment for the Arts (NEA)			
Promotion of the Arts-Challenge America Grants	45.027	N/A	27,919
Subtotal for NEA			<u>27,919</u>
National Endowment for the Humanities (NEH)			
Promotion of the Humanities_Public Programs:			
Direct	45.164	N/A	75,203
Passed through The Huntington Library	45.164	GL-22129-02	29,331
Passed through The National Video Resources	45.164	GL-50642-05	(4,004)
Passed through The New York Historical Society	45.164	GL-50609-04	21,317
Passed through Newberry Library	45.164	LI-50076-06	67,818
Total for Promotion of the Humanities_Public Programs			<u>189,665</u>
Promotion of the Humanities_We the People	45.168	N/A	930,359
Subtotal for NEH			<u>1,120,024</u>
Total federal expenditures			<u><u>\$ 1,702,643</u></u>

American Library Association

Notes to Schedule of Expenditures of Federal Awards

Year Ended August 31, 2007

1. Single Audit Reporting Entity

The American Library Association (Association) received federal and state funding through grants and contracts with certain federal and state agencies and subcontracts with various other agencies. All expenditures related to the federal awards are included in the scope of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. Basis of Accounting

The Schedule of Expenditures of Federal Awards has been presented on the accrual basis of accounting. Expenditures are recorded, accordingly, when incurred rather than when paid.

3. Categorization of Expenditures

The Schedule of Expenditures of Federal Awards reflects federal expenditures for all individual grants, which were active during the year. The categorization of expenditures by program included in the Schedule of Expenditures of Federal Awards is based on the Catalog of Federal Domestic Assistance (CFDA). Changes in the categorization of expenditures occur based on revisions to the CFDA, which are issued annually. In accordance with the Association's policy, the Schedule of Expenditures of Federal Awards for the fiscal year ended August 31, 2007, reflects CFDA changes issued through August 2007.

American Library Association

Schedule of Findings and Questioned Costs

Year Ended August 31, 2007

Part I—Summary of Auditor’s Results

Financial Statements Section

Type of auditor’s report issued (unqualified, qualified, adverse, or disclaimer):

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

 Yes X **No**

Significant deficiency(ies) identified that are not considered to be material weaknesses?

 Yes X **None reported**

Noncompliance material to financial statements noted?

 Yes X **No**

Federal Awards Section

Internal control over major programs:

Material weakness(es) identified?

 Yes X **No**

Significant deficiency(ies) identified that are not considered to be material weaknesses?

 X **Yes** **None reported**

Type of auditor’s report issued on compliance for major programs (unqualified, qualified, adverse, or disclaimer):

Unqualified for both major programs

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?

 X **Yes** **No**

American Library Association

Schedule of Findings and Questioned Costs (continued)

Part II—Financial Statement Findings Section

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in a Circular A-133 audit.

There were no findings for this section.

American Library Association

Schedule of Findings and Questioned Costs (continued)

Part III—Federal Award Findings and Questioned Costs Section

This sections identifies the audit findings required to be reported by Circular A-133 Section .510(a), as well as any abuse findings involving federal awards that are material to a major program.

Finding 2007-01 Procurement Transactions Not Conducted in Accordance With OMB Circular A-110

CFDA 45.164 Promotion of the Humanities_Public Programs
CFDA 45.168 Promotion of the Humanities_We the People

Criteria:

OMB Circular A-110 Section 45 states, “Some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices, and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability, and allowability.”

OMB Circular A-110 states, “No contract shall be made to parties listed on the General Services Administration’s List of Parties Excluded from Federal Procurement or Nonprocurement Programs in accordance with E.O.s 12549 and 12689, “Debarment and Suspension.” This list contains the names of parties debarred, suspended, or otherwise excluded by agencies, and contractors declared ineligible under statutory or regulatory authority other than E.O. 12549.

Condition:

Documentation of cost or price analysis was not consistently included in the procurement files in connection with every procurement action. Additionally, there was no evidence of verification that vendors were not suspended or debarred.

Questioned Costs:

None

American Library Association

Schedule of Findings and Questioned Costs (continued)

Part III—Federal Award Findings and Questioned Costs Section (continued)

Context:

During 2007, CFDA 45.164 and CFDA 45.168 incurred procurement expenditures in the amount of \$5,091 and \$85,102 with ten vendors, respectively. Documentation was not available to support the procurement selection, competitive assessment, cost/price analysis, or that the vendor was not suspended or debarred.

Cause:

The Association's policy requires that a Request for Proposal (RFP) is to be submitted for all major purchases and services. Price quotes are provided and vendor selection reviewed by the project director. Cost analysis files for every procurement action was not consistently maintained. This responsibility is a shared responsibility by the project director and the Association's purchasing manager. Per the OMB Circular A-133, non-federal entities should perform a verification check for covered transactions, by checking the Excluded Parties List System (EPLS), collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity.

Effect:

The Association is not in compliance with the OMB Circular A-110 procurement requirements to perform and document some form of cost or price analysis for each procurement action in the procurement files and verification of suspension and debarment. Furthermore, the Association was unable to provide documentation to support the process is being followed on the cause for suspension and debarment on vendors.

Recommendation:

We recommend management implement controls to monitor compliance with documented policies and procedures to ensure compliance with the procurement requirements of OMB Circular A-110. We recommend management document annually in a memo their procedures for determining the reasonableness of the cost incurred for those vendors for which normal cost analysis procedures are not performed given the immateriality of applicable vendor costs. This memo should be placed in the files as indication of management's review. In addition, management should also document the results of their review of EPLS.

American Library Association

Schedule of Findings and Questioned Costs (continued)

Part III—Federal Award Findings and Questioned Costs Section (continued)

Views of Responsible Officials and Planned Corrective Actions:

Management will continue to implement controls to monitor compliance with document policies and procedures to ensure compliance with procurement requirements of OMB Circular A-110. The project director and purchasing manager in coordination with accounting will provide written proof of compliance of each vendor.

Management will implement a process whereby cost or price analysis will be filed and maintained consistently in the procurement file for every procurement action.

American Library Association

Summary Schedule of Prior Year Audit Findings as of May 28, 2008

Single Audit Findings for Fiscal Year Ended August 31, 2006.

- **Finding 2006-01 – *Progress Reports***

CFDA Number / Department / Program

45.164 / Promotion of the Humanities / Public Programs

45.168 / Promotion of the Humanities / We the People

Comments

Prior year's finding was a result of inaccurate statistical information within the progress reports. Per review of the grant agreements, progress reports are not required to contain statistical information of the related program. As such, the Association has removed such information from the submitted progress reports in the current year; therefore, alleviating the risk of reporting inaccurate information as reported previously.

- **Finding Number 2006-02 – *Procurement Transactions Not Conducted in Accordance With OMB Circular A-110***

CFDA Number / Department / Program

45.164 / Promotion of the Humanities / Public Programs

45.168 / Promotion of the Humanities / We the People

Comments

Reported finding in prior year's report is still in existence; therefore, it is applicable in the current year. Refer to finding 2007-01 for discussion on recommendations and corrective actions.