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

Performance and Accountability Report

Fiscal Year 2009

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Table of Contents

Attachments:

a. Independent Auditor's Report (Leon Snead & Co.)

b. Management's Response to Audit Reports

c. Financial Statement and Notes

d. Summary of Financial Statement Audit and Management Assurances

Message from the Director,
Institute of Museum and Library Services

On behalf of the Institute of Museum and Library Services (IMLS), I am pleased to present the agency's Performance and Accountability Report for FY 2009. The report sets forth the agency's goals and objectives and highlights our related performance and accomplishments – programmatic, operational, and financial – for the past year.

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

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

Since taking office in March 2006, I have made fiscal responsibility and accountability my top priority. In FY 2009, we built upon the significant accomplishments of the previous three years, which included strengthening our accounting and financial systems and clarifying the agency's mission and performance goals. This allowed the agency to more consistently integrate performance and budget. We continue to strengthen information technology systems, financial management systems, and human capital.

In FY 2009, IMLS made 770 grants totaling over $257,000,000 to eligible institutions. Through grants and information resources, IMLS reaches thousands of communities each year. IMLS encourages accountability, planning and evaluation and reaches institutions, small and large, with a range of opportunities for support. The scope of funding ranges from providing opportunities for technical assistance for small institutions to establishing national models and strengthening state networks. Funding from IMLS helps museums and libraries operate effectively and give value to their communities. It also helps spur innovative approaches through supporting creative community partnerships, high tech demonstration projects and research that address education, environmental, information and economic challenges.

FY 2009 was the first 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. We are making important contributions to the collection of sound and current data for policy analysis and are engaged in several high-profile research projects to analyze trends and share best practices. The integration of these activities into IMLS has allowed the agency to expand its work in the areas of research, statistics and policy analysis and has enabled us to take concrete action to make library data more useful. This

year the public library and state library data was released more quickly than ever before. In addition, staff added value by geocoding data making it possible to easily use it for analysis below the national level. Further, rather than releasing a series of charts with no comparisons year to year, staff reviewed data and looked at trends over time. One result of this work is a data note on Broadband and Public Libraries that will help to inform the National Broadband Plan.

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

This year IMLS took concrete steps to underscore the value of libraries and museums in making international connections and increasing global awareness. By inviting international counterparts to IMLS-sponsored meetings and hosting conversations among global colleagues, the agency was able to help make important links that will increase the sharing of technical information and lessons learned.

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.

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

Management Discussion and Analysis

The Management and Discussion and Analysis section is split into nine parts. The first four focus on the agency structure, mission, public benefits, and agency organizational structure. The fifth explains how IMLS works while the sixth describes IMLS grants and activities. Sections seven through nine analyze financial statements and management assurances.

Agency Profile

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

Mission: Connecting People to Information and Ideas

The Institute builds the capacity of libraries and museums to promote and support lifelong learning. To remain competitive, Americans must learn continually, adapt to change readily, and evaluate information critically. The nation's 123,000 libraries and 17,500 museums play a fundamental role in creating vibrant, energized communities that help us do just that.

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

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

learning in school, out of school, and from infancy to old age is one of the hallmarks of American education.

Museums and libraries make knowledge available to millions at little or no cost. To do this, they must be supported by a strong and resilient network of public, private, and earned-revenue sources. As public and nonprofit institutions, libraries and museums must meet a very high threshold of mission accountability and must demonstrate that they use resources wisely for the public good.

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

Organizational Structure

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

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

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

How IMLS Works

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

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

IMLS Statutory Role
The Museum and Library Services Act authorizes the Institute to

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

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

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

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

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

Discretionary Grants

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

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

Grants to 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, DC, Puerto Rico, the Virgin Islands, American Samoa, Guam, and the Northern Mariana Islands. IMLS works in close partnership with the SLAAs to ensure clear communication about program accountability while also ensuring that the SLAAs can individually identify and develop strategies that address their state's specific library needs. There are statutory requirements for five-year state plans, evaluations, and annual reports from each SLAA detailing expenditures and outcomes. Additionally, IMLS hosts an annual conference for SLAA LSTA program administrators to build skills in grants management and to provide opportunity for knowledge sharing. A program of site visits provides State Programs staff the opportunity to monitor LSTA program administration at both the grantee and subgrantee levels and to assist SLAAs in the sound management of the program. Further, SLAA LSTA program administrators have 24/7 access to a Web site that facilitates communication about program requirements and guidance.

In addition to the formula grants, IMLS's legislation created within Grants to States a competitive grant program for the Pacific Region territories and freely associated states. A workshop is held every other year for this group and they have 24/7 access to online guidance specific to this program.

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

Connecting to Collections: A Call to Action. www.imls.gov/collections

In 2005 IMLS, together with Heritage Preservation, Inc., release the Heritage Health Index. The report provided an in-depth look at the state of collections in US 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*, a multi-year, multi-faceted national initiative to raise public awareness and inspire action. Impact and outcomes since launching the initiative in 2007 include the following:

- Almost 3,000 sets of the IMLS Connecting to Collections Bookshelf place in museums, libraries, and archives nationwide.

- Approximately 1,300 smaller museums and libraries represented at the National Summit on conservation and four regional forums, each focused on a crucial issue in collections care.

- Participants from all 50 states attended the four Tour forums along with visitors from China and Mexico.

- 42 statewide planning grants awarded. Museums, libraries and archives in these states are engaged in understanding the collections care needs in their states and planning ways to meet them

- A new grant program – American Heritage Preservation Grants – created, in partnership with the Bank of America. Fifty-three awards for the conservation/preservation of objects made in the first round of competition.

- Noticeably higher quality of applications for IMLS Conservation Project Support grants

- Increased number of applications that have collections/archival positions or activities for IMLS African American History and Culture.

- Public and private partners joined IMLS in the effort to improve collections care nationally, including: Heritage Preservation, the American Association of State and Local History, the American Institute of Conservation of Artistic and Historic Works; the Getty, Luce, Kress, Mellon, Legler Benbough, Baird, Fatta, Oishei, and Chanticleer foundations; the National Endowment for the Humanities, the National Endowment for the Arts, the President's Committee on the Arts and Humanities and corporate funders including UPS, Disney's Animal Kingdom, and Metal Edge.

Libraries and Museums: Advancing Global Understanding.
www.imls.gov/about/international.shtm
IMLS convened leaders of international cultural organizations, libraries, museums, and schools for an all-day brainstorming session on how museums and public libraries can advance global understanding and increase cross-cultural communications, particularly among youth.

Participants at the meeting discussed the capacity of museums and libraries to anchor communities, inspire learning, promote dialogue, and strengthen global awareness. Many

examples of partnerships in local communities that provide links to the global community were shared. A report and recommendations will be published in fall 2009.

Agreement with the People's Republic of China. www.imls.gov/collections

IMLS and the Ministry of Culture of the People's Republic of China signed an agreement on November 16, 2008 establishing the *Partnership for Cultural Exchange* between museum, library, archive, and information services at a ceremony at the Library of Congress.

The agreement calls for sharing best practices in library and museum services, including enhancement of public service and access to information in libraries, promotion of youth engagement, education in museums, and applications of new technologies in libraries and museums to engage audiences and increase the availability of information online.

One component of the new partnership is an agreement establishing a cooperative and cultural exchange between American and Chinese librarians, which was announced and formalized at the November 16 ceremony. Professor Paula Kaufman, University Librarian and Dean of Libraries at the University of Illinois at Urbana-Champaign, and Dr. Zhan Furui, Director of the National Library of China and President of the Library Society of China, signed the *Think Globally, Act Globally* agreement. The two-year project, supported by IMLS with additional support provided by the Chinese Society of Libraries, will introduce Chinese librarians and library educators, and managers of library technology to American practices of public library service. U.S. librarians will also work with their Chinese counterparts to identify publicly available Chinese information resources that are or could be made available via an online portal developed by the project team. The training will take place both in the United States and in the People's Republic of China. The Chinese American Librarians Association is also a project partner.

Also under the new partnership, IMLS is supporting training opportunities for collections care professionals from the People's Republic of China as part of the agency's *Connecting to Collections: A Call to Action* initiative. The initiative is designed to raise public awareness of and inspire action around caring for the collections held by museums, libraries, and archives. The parties will cooperate on the exchange and dissemination of information to promote best practices in the care of collections.

The *Partnership for Cultural Exchange* builds on the June 2007 cultural accord signed between the United States and the People's Republic of China and reflects IMLS's enhanced commitment to strengthening cross-cultural connections between U.S. museums and libraries and their global counterparts.

Libraries to the Rescue. www.imls.gov/resources/podcasts_Jun09.shtm

Through communications, grantmaking and federal partnerships, IMLS is working to support libraries in their roles as "first responders" in the economic downturn. As the nation experiences its first recession in the online age, job seekers are turning to libraries in record numbers. People are seeking library services to get 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 on cooperation with state workforce organizations.

On October 5, 2009, IMLS and the Employment and Training Administration of the Department of Labor held a joint meeting to examine ways in we could work together to encourage effective partnerships at the local level. In addition, IMLS made a grant to OCLC/WebJunction to identify best practices and deliver training for librarians nationwide to assist them in providing information services to their communities.

Museums and Libraries and 21st Century Skills. www.imls.gov/pdf/21stCenturySkills.pdf

In the 21st century, workers and students need more diverse skills to compete in a global economy. From the board room to the classroom, from The Conference Board to the US Departments of Labor and Education, there is growing consensus on the need to develop 21st century skills like problem solving, critical thinking, entrepreneurship, and creativity. At the same time, the capacity of cultural institutions to engage the public in innovative learning experiences has created a new dynamic for delivering library and museum services. Libraries and museums can play a significant role in delivering 21st century skills to learners of all ages.

As part of its mission to engage libraries and museums, community stakeholders and policy makers at the national, state, and local level in a concerted effort to meet the educational, economic, civic, and cultural needs of communities, IMLS released *Museums, Libraries and 21st Century Skills*. The Web site provides a quick online assessment for libraries and museums to evaluate their readiness to engage the public and to deliver 21st century skills and a downloadable pdf of a report and in-depth assessment matrix for library and museum practioners and policy makers.

The Future of Libraries and Museums: A Discussion Guide.
www.imls.gov/pdf/DiscussionGuide.pdf

IMLS recently published *The Future of Libraries and Museums: A Discussion Guide* and plans to establish a web 2.0 enabled conversation to share perspectives on meeting the information needs of the public in the future. The guide identifies themes raised during a two-day meeting of library and museum leaders, academics, educators and technologists. The guide can be used by individual institutions, in library and museum graduate programs, in communities and professional groups to explore how library and museum services will be impacted by technology, education reform, and society and economic changes and also how delivery of library and museum services will impact these policy areas.

The IMLS National Study on the Use of Libraries, Museums, and the Internet.
http://interconnectionsreport.org

Together with the University of Chapel Hill in North Carolina, IMLS released a national report exploring how the public searches for and uses information. Museums and libraries have long been sources of learning, recreation, and information for personal, family, educational, and workplace purposes. However, the Internet and other technologies have become an increasingly used source of information that some believe will largely replace their physical counterparts. On the other hand, some have speculated that the Internet and related technologies and services will actually enhance and increase museum and library use.

Until now, there has been no solid evidence to support either assertion, particularly considering the wide range in types of museums and libraries.

Researchers have completed the "IMLS National Study on the Use of Libraries, Museums and the Internet," a study that delves into the use of libraries, museums and the Internet. The study concludes that "the amount of use of the Internet is positively correlated with the number of in-person visits to museums and has a positive effect on in-person visits to public libraries." These findings provide valuable direction to policy makers who seek to understand how best to support the public's information needs.

Catalyst for Change: the Library Services and Technology Act and the Transformation of Library Services to the Public www.imls.gov/pdf/CatalystForChange.pdf

For more than 50 years the U.S. government has supported the delivery of library services. The IMLS study (the first ever examination of the government's largest program of support for US libraries) documents how the Library Services and Technology Act grants to states program, has helped build the capacity of state library administrative agencies to engage in statewide planning and contribute to meeting national policy goals for library services in the United States. It includes an analysis of how public dollars support the development of human capital as well as information infrastructure and outreach services. It also includes profiles for each state including interviews with state librarians and examples of exemplary projects.

The study finds that few public sector agencies in the United States have been as responsive as libraries to the extreme shifts brought on by the information age. Rapid changes in information technology resulted in significant reorganization of library work and major changes to library service in public, academic, school and research settings. Over this period libraries expanded their traditional mission of collecting and circulating physical holdings to one that also provides access to computers, software, and a host of new services and an ever-increasing pool of digital information services.   The report has been widely disseminated and is being used at the federal, state and local levels to support policy decisions about public funding for libraries.

National Study to Examine the Impact of Access to Computers in Public Libraries.

IMLS and the Bill and Melinda Gates Foundation are working with a research team at the University of Washington Information School to examine the impact of free access to computers and the Internet on the well-being of individuals, families, and communities. The findings of this study will be very useful to the development of the National Broadband Plan currently under development by the Federal Communications Commission. Public libraries have provided free access to the Internet and computers since the 1990's. Libraries have also provided access to digital resources, databases, networked and virtual services, training, technical assistance, and technology-trained staff. Past decision making regarding public access computer services has been based on such measures as number of users and sessions, length of time computers are in use, number of unfilled requests, and results of satisfaction surveys. However, little research has examined the relationship between free access to computers and outcomes that benefit individuals, families, and communities. The research team is documenting the impact of having public access computing resources in public libraries and developing robust and broadly applicable indicators for that impact. The study will examine the impacts in the following domains: civic engagement, eCommerce, education, eGovernment, health, employment, and social inclusion.

Public Library and State Library Data Collection. http://harvester.census.gov/imls

IMLS works cooperatively with the US Census Bureau and collaboratively with data coordinators in each state to establish a program that 1) provides policy-relevant data, 2) maintains respect for data providers, and 3) establishes credibility among data users. In the past year IMLS has established efficiencies to allow release of data six months in advance of previous years. In previous years data was released with very little analysis. Beginning this year, IMLS is released data with a foreword that provides an in-depth examination of trends over time, making it possible for much more sophisticated use of the data to inform policy and practice.

In addition, this year IMLS has made the data more valuable by geo-coding it, thereby greatly enhancing the usefulness of data for analysis below the national and state levels. The agency has been providing the library data to Data.gov to enable analysis that can combine library data with a host of other government economic, education, and social data.

Data Notes and Policy Briefs. www.imls.gov/pdf/DataNote2009_01.pdf

IMLS has launched a series of data notes and policy briefs. The first, "Libraries Use Broadband Internet Service to Serve High Need Communities," provides a look at library adoption of technology and Internet speed in urban, suburban and rural areas. Future analysis will examine trends in circulation and use of libraries in metro, non-metro, and rural areas; another brief will examine trends in library programming for children.

Brief Analysis of Financial Statements

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

We are pleased to report that the agency has continued to maintain a high level of financial oversight and that Leon Snead & Company has issued an unqualified opinion on the agency's FY 2009 financial statements. The audit has identified one finding which is classified as a significant deficiency. The auditors review of the FY2008 findings indicate that the conditions have improved to the extent to which the auditor feels the findings have been fully satisfied, however, the finding for FY2007 remains a concern. 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 is cognizant of the importance of establishing and maintaining adequate controls over its programs and administrative functions. Management continues to evaluate and modify existing controls – and establish new ones as appropriate – to ensure accountability of federal funds and resources. IMLS also recognizes the importance of using technology to enhance effectiveness and efficiency, as well as to ensure an adequate degree of internal control and compliance with applicable laws and regulations.

During FY 2009, the agency benefited from several opportunities to review its internal controls and make needed improvements. Leon Snead & Co., which was engaged by the agency to conduct IMLS's audit, reviewed the agency's management controls. During the initial assessment phase of the audit, Leon Snead undertook a comprehensive evaluation of our systems and procedures, noting one exception. A review of the two FY2008 findings indicates that the conditions have improved to the extent to which the auditor feels the finding has been fully satisfied. These findings and the status of corrective actions are discussed below.

FY2009

Third quarter testing by the auditor, Leon Snead and Co., resulted in one finding. The 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 final testing of IMLS records as of and for the year ended September 30, 2009, the auditors obtained and reviewed the updated, written procedures for processing reimbursable expenses and related revenues. Although the procedures appeared to have been properly designed to provide reasonable assurance that revenues and expenses would be matched timely, they were implemented late in the fiscal year and had not yet produced sufficient evidence to determine their overall effectiveness.

FY2008

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

September 30, 2008. The IMLS Statement of Net Cost (SNC) as of September 30, 2008, and the related notes to the financial statements have costs broken out by goal and major program.

> Current Status: IMLS developed and implemented a cost accounting methodology during 2008 and further refined it during 2009. As a result, corrective action was completed on this finding.

No. 2 - IMLS did not have an effective system in place to ensure the timely liquidation of outstanding grant advances in accordance with its advance policy. The Institute reviewed its policy and revised the policy to allow for a more effective process leading to the timely liquidation of outstanding advances.

> Current Status: IMLS developed and implemented procedures to obtain grantee reporting sufficient to liquidate advances 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.

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

> Current Status: IMLS has made additional progress on resolving its systems controls and security issues. During the fiscal year, IMLS obtained an independent evaluation of its compliance with the Federal Information Security Management Act (FISMA). Although the evaluation noted significant areas needing improvement, those issues related solely to systems managed within IMLS. Because IMLS uses service providers for all of its financial management systems, and those service providers are responsible for FISMA compliance within those systems, the issues cited in the IMLS FISMA report 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, was established by the Director to consider accountability and controls annually within the broader context of agency operations. The Assessment Team reviewed the agency's financial management, grants management, contracting and procurement, and human resources activities.

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

Agency managers work closely with the Chief Financial Officer 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 2009 the agency continued to make substantial progress in this area.

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

The results of IMLS's assessment are reported here, within the agency's FY 2009 Performance and Accountability Report, consistent with the provisions of the Reports Consolidation Act of 2000. Based on the review process described above, IMLS provides the following assurances:

The Institute of Museum and Library Services management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). The Institute conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, the Institute can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2009 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

In addition, the Institute conducted an assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations. Based on the results of this evaluation, the Institute can provide reasonable assurance that with the exception of one significant deficiency identified by its auditors and discussed above, its internal control over financial reporting as of September 30, 2009 was

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

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

Measuring Performance

FY 2009 Goals, Results, Performance Highlights

Goal One: Sustaining Heritage, Culture, and Knowledge

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

FY09 Targets	Progress toward targets
IMLS supports independent evaluation of National Leadership Grants for preservation to assess national impact.	Not funded
1,000 small and medium-sized museums and libraries receive the "conservation bookshelf" to support comprehensive care of their collections.	907 small and medium-sized museums and libraries receive the "conservation bookshelf"
The Institute hosts regional conferences in two regions addressing high priority needs identified in Health Heritage Index. Over 350 representatives from libraries and museums attend.	Two events are held in 2009. The first event, entitled "It's Alive Petals to Primates was held from Feb 19 - 20. 2008 in San Diego, California and the second, entitled "Stewardship of America's Cultural Legacy: Answering the Call to Action" was held on June 16 - 17, 2009, in Buffalo, NY. Both events were captured via webcast and are available on the IMLS website.
The Institute provides planning grants to 26 states to undertake collaborative activity to address needs identified in Health Heritage Index. (The remaining states receive grants the following year.)	22 states and Guam receive a planning grant
Through Conservation Project Support, Conservation Assessment Program, and Museums for America, 400 museums pursue high-priority needs for their collections through a variety of strategies including conservation assessments, collections management, conservation treatment, improved environmental controls, improved collections storage, digitizing collections, and developing emergency plans. Many of these museums are also able to leverage additional public and private sources to match federal contribution. In addition, using Museum Professional for the 21st Century grants, participate in conservation-related professional development activities.	100 Conservation Assessment Program grants; 35 Conservation Project Support grants; 112 Museums for America

Five grants for African American History and Culture strengthen the skills of personnel to preserve pertinent history and culture materials; approximately 100 individuals will complete relevant professional development.	6 grants provided to African American museums/ cultural institutions for collection care and conservation
With National Leadership Grants, 15 libraries develop new preservation models, services, or tools (including digital) to expand the efficiency and effectiveness of available strategies and choices for safeguarding collections.	39 libraries (5 grants, including partners) support preservation activities (20.8% of NLG grants to libraries)
Ten states complete statewide disaster planning using an IMLS-funded Web-based template and planning tool currently in development.	15 states receive statewide disaster planning support from IMLS
50 museums participate in a technology assistance program that enables them to create institutional technology plans.	No funding for this program.
18 Laura Bush 21st Century Librarian grants address the high-priority need of ensuring the availability of qualified library personnel to meet the needs of the nation in the 21st century. Five of these grants support internships in conservation. Five of these grants create new digital asset management capacity at the master's, doctoral or post-doctoral level; 200 students complete programs funded. Five of these grants build skills among existing library personnel to strengthen digital asset management; 1,000 students complete continuing education for this purpose. Three of these grants support advanced research and demonstration in digital preservation or data curation.	43 institutions (9 grants, including partners) were awarded grants to develop or participate in educational preservation programs at the master's or doctoral level . Note: Fewer grants were awarded than projected. However, more projects than anticipated involved partners, increasing the number of institutions that will benefit. Twenty-four of the 52 accredited graduate schools of library and information science in the US (46%) are participants in 2008 Laura Bush 21st Century Librarian grants, either as grantees or as partners on grants. Another 19 institutions, including the Center for Research Libraries; the Northeast Document Conservation Center; OCLC, Inc.; the Smithsonian Institution Archives; the Brooklyn Museum; and several digital humanities centers will participate by hosting interns.
25 grants for Native American Library Services provide digitization training and planning for library staff.	Awarded grants to Native American Library services address strategic goal three.
Ten Native American Enhancement Library Grants support tribal preservation with an additional ten grants for Native American/Native Hawaiian Museum Services preserve heritage materials and traditions, including language, in eligible communities.	10 (of 15) Native American Library Enhancement Grants support cultural preservation (66% of Enhancement Grants) Also 61 (of 201, or 30%) Native American Basic Library Services Grants of $5,000 each will help to support cultural preservation. Basic Grants are awarded on a non-competitive basis to each Indian tribe or Alaska Native Village recognized by the Bureau of Indian Affairs that applies, for provision of basic library services.

Highlights of IMLS-funded projects that help meet the goal of sustaining heritage, culture, and knowledge include the following:

Preserving the Legacy of a Music Legend
Award Amount: $105,384; Matching Amount: $126,575
The City University of New York – Queens College, Louis Armstrong House Museum, will use a Museums for America grant to process and catalog a large Louis Armstrong collection. Additionally, pre-existing catalog records of other collections will be converted from Microsoft Access into PastPerfect. In turn, the PastPerfect catalog records will be uploaded to the museum's website. By improving the management of its collections, the museum will be able to more effectively serve the public and fulfill its role as the premier resource on the exceptional life and legacy of Louis Armstrong.

Working to Save an Endangered Species
Award Amount: $418,858; Matching Amount: $193,403
The Memphis Zoo will use its grant to conduct research on the conservation of endangered amphibians that are suffering from low reproductive output and declining genetic diversity. These amphibians face imminent extinction without the rapid development of assisted breeding technologies to secure captive assurance colonies. The specific objectives of this study are to develop, apply, and test novel techniques to increase the reproductive output of the targeted endangered amphibian species by developing innovative hormone regimens for fertilization. The Memphis Zoo is partnering with Mississippi State University in their research.

Protecting Archeological Site from Future Deterioration
Award Amount: $45,519; Matching Amount: $45,523
The Mammoth Site of Hot Springs will use grant funds to purchase and install a humidity control system for the site enclosure. The museum is built over a Pleistocene sinkhole and preserves the remains of numerous animals that wandered the South Dakota landscape about 27,000 years ago. Since 1974, 55 Columbian mammoths and 3 wooly mammoths have been uncovered, the highest concentration of in-situ mammoths in the world. The building enclosing the bonebed protects the bones, tusks and other specimens from the elements so they can remain where they were discovered and continue to inspire wonder in visitors and researchers alike.

Preserving Collections Using Less Energy
Award Amount: $580,174; Matching Amount: $291,019
Many libraries maintain tightly controlled, energy-intensive environments for their stacks, special collection, and exhibition spaces. For budgetary reasons and because of concern over global climate change, libraries are searching for ways to lower energy consumption responsibly and safely. The Image Permanence Institute at the Rochester Institute of Technology will investigate a promising method for libraries to achieve significant reductions in energy use without compromising the preservation quality of collection environments through a carefully monitored and risk-managed shutdown of air handling units (AHUs) during unoccupied hours. Five partner libraries will help determine through actual experiment and documentation whether it is feasible to save energy in this manner. During the final phase of the project, the team will create a free publication that documents project methodology, results, and suggestions for overcoming potential barriers to implementation. It will also provide actual costs of operation for

special environments and recommended best practices for controlled, risk-managed AHU shutdowns. The team will also design a Web-based resource to help libraries maintain the best possible climate for preservation with the least consumption of energy.

Setting Standards for Conducting Digital Oral History
Award Amount: $319,284; Matching Amount: $333,063
New technologies offer great potential for advancing the practice of oral history. However, they also introduce new questions and issues. Michigan State University, through the MATRIX Center and the Michigan State University Museum, will partner with the Smithsonian Institution Center for Folklife and Cultural Heritage, the Library of Congress' American Folklife Center, the American Folklore Society, and the Oral History Association to recommend standards and best practices for digital oral history. Seven multidisciplinary working groups recruited from experts and practitioners from museums, libraries, and scholarly societies will work online, at meetings such as national conferences, and in a symposium at the Library of Congress to produce recommendations around core topics including intellectual property, transcriptions, digital video, technology, scholarship, preservation, and access. Final recommendations from all groups will be published as a guide to conducting digital oral history.

Improving Scholarly Communication Through Knowledge Repositories
Award Amount: $857,005; Matching Amount: $897,244
The Georgia Institute of Technology, in partnership with the University of Georgia, Georgia State University, the Medical College of Georgia, Georgia Southern University, Valdosta State University, Albany State University, North Georgia College and State University, and the College of Coastal Georgia, will build a statewide institutional repository (IR) called the GALILEO Knowledge Repository. The partners will also host a national symposium on statewide and consortial repositories, create instructional materials, conduct consortial IR training, and offer consulting services. This project will advance scholarly communication by expanding the use of IRs by U.S. colleges and universities and by increasing the number of professionals with knowledge and skills in managing consortial IRs.

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

FY09 Targets	Progress toward targets
5000 students benefit from participating in summer reading programs at 50 public libraries as documented by outcome-based evaluation results; libraries use findings to improve programs.	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.
State Library Administrative Agencies (SLAA) provide 4000 subgrants to support local programming and services in public libraries.	The number of subgrants varies from year to year based on SLAA control of how LSTA funds are spent to best meet the needs of the state.
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.	The year long LSTA Grants to States Program analysis conducted by Himmel and Wilson, Library Consultants, culminated in the publication of *A Catalyst for Change: LSTA Grants to States Program Activities and the Transformation of Library Services to the Public.*
220 Museums for America grants reach every state and museums of all budget sizes and disciplines to strengthen audiences and operate more efficiently.museum infrastructure, programs and services and increase the number of people who use them to meet their learning needs. 50 of these grants will specifically help staff adopt new technologies to reach audiences and operate more efficiently.	167 Museums for America grants reach every state and museums of all budget sizes and disciplines to strengthen audiences and operate more efficiently.museum infrastructure, programs and services and increase the number of people who use them to meet their learning needs. 15 of these grants will specifically help staff adopt new technologies to reach audiences and operate more efficiently.
300 museum educators, librarians, teachers, and school administrators attend an IMLS conference on Engaging America's Youth and learn about the model practices identified in an IMLS study.	Not funded
IMLS conducts the third True Needs True Partners survey to document evolving trends and measure results of relationships between museums and schools; disseminates findings in a conference and Web casts.	Not funded
25 National Leadership Planning Grants to libraries and five National Leadership Planning Grants to museums support collaborative planning to extend the impact of libraries and museums by meeting their communities' base before IMLS invests funding in their implementation.	1) NLG for Libraries—42 institutions (6 grants, including partners) undertake collaborative planning projects under NLG grants for Libraries. 2) NLG for Library and Museum Collaborations—16 institutions (3 grants, including partners) undertake collaborative planning projects under NLG grants for Library and Museum Collaborations. Some of the partners are consortia, so the number of institutions that will benefit directly exceeds 300). Note: Although the number of grants was less than projected, the number of institutions participating in collaborative planning grants exceeded expectations.

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

Accessing and Exploring Oral Histories in Innovative Ways
Award Amount: $333,887; Matching Amount: $333,887
The National World War II Museum will partner with National History Day to design and implement a methodology to enable video oral histories to be accessed and explored in innovative ways. Content will be made available to a wider audience, which will have the ability to participate in describing and referencing oral histories in a manner not currently possible. This project will develop methods of digitizing, indexing, and segmenting oral histories that can be used by other institutions to perform the same activities with their own holdings.

Small Museum Will Have Big Educational Impact
Award Amount: $39,675; Matching Amount: $39,955
The Nichols House Museum will undertake its first interpretive plan. The project will strengthen the museum's ability to serve its public by defining activities to help its audiences make historic connections to the artifacts, images, processes, and structures they encounter at the site. The plan will structure fundamental unifying concepts and themes for future programming, educational outreach, scholarly research, and evaluative processes.

Library Helps School Teach Science to Teens and Tweens
A partnership between the science department of Wilmington Public School and Wilmington Memorial Library created the Serving 'Tweens and Teens program aimed at combining public school science education with activities at the library for youth audiences. In cooperation with the Teen and 'Tween Advisory Groups, the Wilmington Memorial Library staff identified materials in the teen collection in need of updating to reflect the needs and interests of the teens and 'tweens coming to the library. Including new computers and a scanner, the collection was enhanced with science-related materials such as books and DVDs. To coincide with a summer reading program in science books and concepts, a series of discussions were developed around science concepts educating teens and 'tweens on buoyancy, aquaculture, the physics of swordplay, and anthropology. In addition, a series of hands-on workshops challenged teens and 'tweens to design and build devices to protect eggs from cracking, self-propelled vehicles, and model rockets. As a result of the hands-on workshops, teens reported a greater degree of comfort in developing projects for science classes. Higher circulation was recorded of the new collection materials and higher attendance at the library by teens and 'tweens was noted.

Library and Health Providers Provide Access to Health Information
A collaborative partnership between the Library System of Lancaster County, Lancaster hospitals and healthcare providers, and United Way of Lancaster County resulted in building a set of reference tools that would aid Lancaster County residents in finding reliable and authoritative health information. The Health Information Access project brought together healthcare resources with information on local healthcare providers into one reliable Web portal. 66 library reference staff were trained in searching and utilizing the portal in four topical areas: An Apple a Day session (day-to-day healthcare), Prescription for Success (understanding

prescriptions), Will Duct Tape Cure My Warts? (seeking the appropriate healthcare treatment), and Caring for the Mind (mental health).

Museum Joins Libraries in Seeking New Ways to Improve Early Literacy
Award Amount: $137,581; Matching Amount: $478,001
The Minnesota Children's Museum, in partnership with the Dakota County Library System, Hennepin County Library System, Saint Paul Public Library System, and other partners in the region, will develop and test an innovative early literacy program. Project partners will work closely with nationally recognized experts in early literacy and with local teachers and educational system administrators to ensure that the program is relevant and useful for those communities. The project will explore new ways that libraries and museums can bring their unique expertise together for new collaborations.

Boston Institutions Create Accessible Digital Library of TV News
Award Amount: $487,681; Matching Amount: $487,686
WGBH Media Library and Archives, in collaboration with Northeast Historic Film, Cambridge Community Television, and the Boston Public Library, will develop the Boston TV News Digital Library: 1960–2000, the first online resource offering a city's commercial, noncommercial, and community cable TV news heritage to educators and the public. The purpose of the collaboration is to use, test, and demonstrate open source tools to assist custodians of similar resources, while creating an online library offering 40 years of urban moving image materials, resulting in approximately 70,000 news records. The project will establish a new collaborative model for community institutions committed to collection stewardship; combine all known Boston heritage television collections to develop a comprehensive digital library in a powerful open source repository with a dynamic front end; preserve and make accessible unique digital assets with comprehensible rights and relevant descriptive metadata; research and create essential rights modules for clarifying legal issues relating to local TV news collections; provide curricular context for study of urban history using primary source materials in classrooms and at community institutions; and devise an outreach strategy to raise awareness of the individual collections and the new digital library to support sustainability.

Tribal Libraries Promotes Reading Readiness
Award Amount: $150,000
The Pueblo of Santa Clara Community Library will implement a series of activities that promotes reading readiness among children up to five years of age using the Every Child Ready to Read® program to train parents, teachers, and library tutors how to impart preliteracy skills to Tewa children at home, in school, and at the library. Staff will implement a Family Story Time Initiative in which traditional Tewa stories will be shared and elders will recount their experiences growing up in the pueblo. A poetry writing contest will be held during National Poetry Month, followed by a poetry slam with local Santa Clara poets. Library staff will partner with other intergenerational programs in the community to coordinate events and activities that will continue to engage community members of all ages.

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.

FY09 Targets	Progress toward targets
15 grants for Continuing Education projects in the Laura Bush 21st Century Librarian Program strengthen skills of 300 currently employed professionals.	6 grants; 20,455 students will benefit Note: Although the number of grants was less than projected, the number of students who are projected to benefit exceeded expectations (though none have completed the programs yet).
Five grants for Doctoral Education projects in the Laura Bush 21st Century Librarian Program support ten new doctoral candidates.	4 grants, 32 doctoral candidates will be supported Note: The number of grants was less than projected, but the number of doctoral candidates supported exceeded the projection
25 21st Century Museum Professionals grants strengthen 3500 museum professionals' museum management skills and knowledge, and expand the museum leadership pool.	Seven 21st Century Museum Professionals grants impact 4981 professionals and 300+ institutions and strengthen museum professionals' museum management skills and knowledge, and expand the museum leadership pool.
15 State Library Administrative Agencies provide continuing education for 450 library staff members and measure the effectiveness of their continuing education programs.	At least15 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.	75 new school library media specialists will be supported in 3 grants
The number of Museum Assessment Program participants increases by 55 percent, providing 110 museums (approximately 540 paid and volunteer staff) with improved expertise in museum operations.	106 museums receive grants to improve expertise in museums operations
Museum and library staff in 25 communities gain collaboration and community-building skills by participating in partnerships to create The Big Read in their communities. These projects include participation in regional workshops to build target skills.	Target reached
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.	22 tribes improved the expertise of staff to preserve Native Culture and develop educational programs.

Through an interagency agreement between IMLS and the Museum of African American History and Culture, IMLS supports professional development for new staff at 20 African American museums.	**Through an interagency agreement between IMLS and the Museum of African American History and Culture, IMLS supports professional development for new staff at 25 African American museums.**
Ten Museum Grants for African American History and Culture programs train 75 professionals working in this content area, building the leadership and skills necessary to address the current and future needs of these institutions.	89 Museum Grants for African American History and Culture programs train 65 professionals working in this content area, building the leadership and skills necessary to address the current and future needs of these institutions.

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

Northwest African American Museum Improves Skills and Partners with Museum Program
Award Amount: $136,801; Matching Amount: $183,525
The Northwest African American Museum will develop and strengthen its core curatorial capacity by hiring a curatorial assistant to participate in the planning and execution of upcoming exhibitions and related programming. Grant funds will also allow current staff members to build collegial networks by attending national conferences and enhance their skills through participation in intensive workshops on exhibit design and fabrication, developing institutional and collector relationships, techniques of community-based exhibit design, and integrating the discipline of an outcomes-based evaluation process with exhibit and program work. The museum will partner with the University of Washington's Museology Program to create an ongoing curatorial internship program that will offer students a hands-on introduction to African American museum practice. These interconnected and collaborative initiatives will enhance this young museum's capacity to interpret the history, arts, and culture of African Americans in the Pacific Northwest.

Association Helps Small Museums Achieve Excellence
Award Amount: $407,810; Grantee Match: $412,373
Building on the creation and piloting of a "standards toolkit" for history museums, the American Association for State and Local History will launch a cohesive national program to implement the achievement of best practices in the areas of mission, vision, and governance; audience; interpretation; stewardship of collections; stewardship of historic structures and landscapes; and management. "ExCEL: Expanding Capacity, Excellence, and Leadership in History Organizations" will target small and mid-sized historical societies and museums with tools and resources to improve their abilities to care for collections and provide leadership within communities. Grant funding will support the creation of an online standards community and clearinghouse of resources, as well as webinars supporting the six standards areas. The project will also create curricula for state museum associations and other field service providers to support onsite courses and train-the-trainer sessions for regional museums.

Training Institute Offers Librarians and Community a Change to Grow
The Delaware Division of Libraries provides education and professional development skills in traditional and online library service to Delaware's library associates through the Library Associate Training Institute. Topics for attendees ranged from basic library skills such as customer service, online (or Web-based) searching techniques, and reference skills, to innovative techniques in managing user-generated blogs, using Web 2.0 technologies, and the Delaware Library Learning Journeys program for informal learning and exploration. Service models for electronic communications and modules for resources in areas of business, consumer health, and history were provided through partnering with the Maryland Division of Library Development. Library associates who attended the institute's program rated the reference skills program as having the greatest impact, with using search engines and new technologies for librarianship coming rated second and third, respectively. All attendees also reported that they would consider a master of library science in the future.

Laura Bush 21st Century Librarian Program
IMLS builds professional capacity in the library and archival professions through the Laura Bush 21st Century Librarian Program (LB21). It provides support for the most critical component of the nation's information infrastructure: the information professionals who build and maintain that infrastructure—and, more importantly—help their community members use information resources, whether online or onsite. These resources range from books to databases, Web sites to manuscript collections, government documents to early documentary films. Through grants to Graduate Schools of Library and Information Science, the program provides scholarships for individuals studying to become school library media specialists, librarians, and archivists. It also provides support for a wide array of professional continuing education activities, for support of doctoral students who will become the next generation of library and information science faculty, and for new untenured, tenure-track faculty by providing research grants through and Early Career Development program.

Summary student statistics for 2009 awards:

Master's Level: 323
Doctoral: 6
Pre-Professional: 240
Programs to Build Institutional Capacity: 8
Continuing Education: 306
Total students supported: 883

LB21 Highlights

Masters Programs

Louisiana State University, A&M
Award Amount: $763,901; Matching Amount: $384,929
Libraries in southern Louisiana continue to experience staffing shortages as a result of the damage caused to local communities by Hurricane Katrina in 2005. Louisiana State University's School of Library and Information Science, in collaboration with the State Library of Louisiana,

the State Department of Education, the New Orleans Public Library, Terrebonne Parish Public Library, Calcasieu Parish Public Library, the New Orleans Recovery School District, the Algiers Charter School Association, Jefferson Parish School System, and Southern University at New Orleans will partner to help alleviate the shortage of librarians by recruiting, educating, and placing 30 new librarians in various libraries. Students recruited under this initiative will receive IMLS-funded scholarships to earn master's degrees in librarianship. As part of their education and early-career development, the students will work in libraries affected by the storm, and will benefit from mentoring and subsidized memberships in state and national professional associations.

Sam Houston State University – Huntsville, TX
Award Amount: $898,195; Matching Amount: $128,755
Sam Houston State University's Department of Library Science will partner with the Texas Education Agency's Regional Education Centers 1, 2, and 20 to recruit and provide scholarships to 40 students in south Texas studying to be certified school library media specialists. This project addresses a critical need for school library media specialists to serve the region's growing Hispanic student population. Scholarship recipients will benefit from an active mentoring program and leadership training as they earn a master's degree in librarianship with school library media certification.

University of Maryland at College Park, Office of Research Administration and Advancement – College Park, MD
Award Amount: $770,943; Matching Amount: $340,262
In partnership with the University of Illinois at Chicago, the University of Maryland at College Park's College of Information Studies will leverage its local expertise and its existing concentration in e-government to create a new librarianship specialization in government information services. This new concentration will address challenges presented by changes in the ways governments produce and make information available to the public. IMLS funds will be used to develop an online education program combining coursework, practical experience working in the Government Information Online service, and opportunities to assist in the production of the scholarly journal Government Information Quarterly. Scholarships will support 20 students to earn their degrees with the government information concentration. Scholarship recipients also will benefit from mentoring, directed internships, and opportunities to network with other government information professionals.

Doctoral Programs

University of Tennessee – Knoxville, TN
Award Amount: $711,727; Matching Amount: $568,728
Through previous and ongoing projects, the University of Tennessee's School of Information Sciences (SIS) and College of Communication have identified a serious shortage of doctoral-level educators qualified to train librarians in working with scientific data and information. To address the shortage, SIS will recruit and provide six IMLS-funded doctoral fellowships for students to earn a doctoral degree in library and information science with a specialization in scientific data and information. In addition to doctoral coursework, fellowship recipients will

benefit from mentoring, structured work and research experiences in world-class science institutions and science data initiatives, and opportunities to attend and present their work at professional conferences. Upon completion of the PhD program, these six will become science data and information educators responsible for preparing the next generation of science librarians, data, and information specialists.

Montana State University – Bozeman, MT
Award Amount: $251,695; Matching Amount: $86,640
Montana State University's Tribal College Librarians Institute (TCLI) is an annual week-long conference of continuing education and professional development experiences for information professionals serving Native American communities. IMLS support over a three-year period will support the TCLI during the summers of 2010, 2011, and 2012. TCLI will offer travel stipends to participants and will not charge registration fees. This financial support will encourage more tribal college librarians to attend TCLI. Funding also will allow 20 tribal college librarians to attend the 2011 National Tribal Archives, Libraries, and Museums Conference. These activities will benefit tribal college librarians and the communities they serve.

OCLC-Webjunction – Seattle, WA
Award Amount: $803,258; Matching Amount: $387,228
In this one-year project, Webjunction, in partnership with the State Library of North Carolina, will develop a series of regional workshops to train librarians in the provision of information services in communities suffering from the economic downturn. The workshop will emphasize skills needed by job-seekers, including job skills, resume preparation, interviewing skills, job search strategies, and community resources and support services to provide coordinated assistance to individuals and families who have been affected by the recession. The project team will deliver the training to state library agency staffs who will then customize that training for librarians in their home states. Webjunction will also develop and host an online training module that reflects the workshop curriculum and experiences. All materials will be hosted and made available online at no cost to participants.

Programs to Build Institutional Capacity
Simmons College – Boston, MA
Award Amount: $455,639; Matching Amount: $390,811
The Graduate School of Library and Information Science at Simmons College will partner with a wide range of New England cultural institutions to incorporate museum informatics and data stewardship into its existing program of study. This project will build a curriculum designed to produce cultural heritage professionals who can successfully manage digital resources and provide online services in museums, libraries, and archives. The project will also provide scholarships and intensive, hands-on internships to 30 students, preparing them to work in these settings.

University of Pittsburgh – Pittsburgh, PA
Award Amount: $991,311; Matching Amount: $528,398
Health sciences information is increasing in complexity, and health sciences librarians are increasingly being called to actively collaborate with medical professionals. Seeking to provide

advanced training to meet these challenges, the School of Information Sciences at the University of Pittsburgh, partnering with the university's Health Sciences Library System, will create a 15-credit, post-master's certificate of advanced studies in health sciences librarianship. The new course of study will build upon the school's successful medical librarianship/informatics specialization within the master's degree program. This project will also provide scholarships for an initial cohort of 27 students.

Research (Early Career Development Grants for LIS Faculty)
Florida State University – Tallahassee, FL
Award Amount: $309,344; Matching Amount: $102,175
In this research project, Marcia Mardis at Florida State University will investigate how school libraries can successfully integrate open-source science, technology, engineering, and mathematics (STEM) materials into their collections and services. Very few school libraries take advantage of the large amount of STEM-related materials available for free on the Internet. This project will enhance school library media specialists' collection building practices in these STEM materials, increase student engagement with these resources, and provide professional development on the subject to the school library media specialists, while sharing research findings with both the digital library and education communities.

University of Maryland at College Park, Office of Research Administration and Advancement – College Park, MD
Award Amount: $348,325; Matching Amount: $130,182
In this Early Career Development project, Jean Dryden of the University of Maryland's College of Information Studies will examine the copyright practices of libraries, archives, and museums in the digitization of their holdings and the impact of these practices upon their users. This research will aid libraries, archives, and museums as they continue to develop best practices that will make their holdings more widely available to the public while still protecting the legitimate interests of rights holders. The proposed research will potentially have an impact on institutional practice, professional education, scholarly research, and copyright policy.

University of Maryland at College Park, Office of Research Administration and Advancement – College Park, MD
Award Amount: $387,541; Matching Amount: $151,892
As the American population ages, the need for trusted sources of health-related information and services increases. In this Early Career Development project, Bo Xie of the University of Maryland's College of Information Studies will design a public-library-based program to provide high-quality, Internet-based health information to seniors from diverse backgrounds. Key to the project will be the incorporation of a cadre of committed, older adult volunteers who will help design the curriculum and then serve as peer trainers, teaching other senior volunteers how to access, assess, and use a broad range of quality online resources. This research project, grounded in participatory design methodology, will develop curricula, procedures, and other guides, which will be made available to public libraries nationwide.

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

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

FY09 Targets	Progress toward targets
IMLS provides resources and technical assistance to support at least 75 percent of the year's grantee organizations in outcome-based planning and evaluation.	OBE training not provided in 2009
IMLS provides technical assistance and information to at least 400 potential applicants through audio conferences.	Not funded.
Formal independent evaluation of three IMLS grant programs assist IMLS to identify and implement program improvements and to share models to improve practice.	LSTA program evaluated and MPF examined the distribution of museum grants nationally. PNL – Big Read
IMLS continues to improve Information Technology operations to fully meet the requirements of the Federal Information Security Management Act of 2002 (FISMA) and to fully implement security measures.	In FY 2009 major 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 Networx contract, and planning for implementation of an IT COOP was initiated.
IMLS streamlines application and award management by transitioning to the Grants Management Line of Business.	IMLS has funded and implemented a fit/gap analysis to transition to the federal government's Grants Management Line of Business
IMLS State Programs office completes 40 site visits to State Library Administrative Agencies between FY2006 and FY 2008 to monitor the management of the Grants to States program.	In FY2006 IMLS State Programs staff completed four (4) site visits to California, Massachusetts, Nevada, and Wyoming in FY06. In FY2007 IMLS State Programs staff completed nineteen (19) site visits to Alaska, Arkansas, Arizona, Delaware, Illinois, Indiana, Louisiana, Maryland, Michigan, Minnesota, Nebraska, New Hampshire, New Mexico, Oklahoma, Pennsylvania, Tennessee, Texas, Utah, and Virginia. In FY2008 IMLS State Programs staff completed eight (8) site visits to Georgia, Missouri, New York, North Dakota, Ohio, Oregon, Rhode Island, and the Virgin Islands. In FY2009 IMLS State Programs staff completed eight (8) site visits to Hawaii, Kansas, Kentucky, North Carolina, South Carolina, South Dakota, Washington, and Wisconsin. 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. The total number of site visits completed during the four fiscal years FY2006-2009 is forty (40).
Staff of 50 State Library Administrative Agencies and eight Territories and Freely Associated States gain knowledge in the effective management of federal grants through the use of online reporting programs IMLS completes seamless consolidation of library	In FY2009 staff of 53 State Library Administrative Agencies representing the 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands gained knowledge in the effective management of the LSTA Grants to States Program through participation in a training conference held November -19-21, 2008 in Washington, DC. The conference included a 2-day grants management course on the cost principles. 104 of the 105 participants took the optional exam with all but one individual receiving a passing score .
Responding to strong support from the museum community, IMLS pilots a museum statistics program.	Although funds were not appropriated for a formal museum statistics program, the Museum Public Finance report represents an important first step toward establishing a standardized data collection procedures and direction for ongoing monitoring of grantmaking.

IMLS Administration

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

- Budget and Performance Integration
- Strategic Human Resources Management
- Information Technology
- Grants Management
- Improved Financial Performance

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

Budget and Performance Integration

IMLS has an integrated approach to budgeting and long-range planning. Responsibility for development, coordination, and innovation in General Performance and Results Act activities

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

To ensure that this is accomplished, the Director has articulated the objectives of the President's Management Agenda and the requirements of the Performance and Accountability Report to all IMLS staff; sought their collaborative input in developing and refining the agency's strategic goals, taking into consideration the agency's authorizing legislation and the PMA; and actively sought the broad and diverse expertise of the Board. Not only has this furthered the agency's performance and measurement efforts, it has helped to enhance staff understanding of the importance of an effective management control environment.

Strategic Human Resources Management

The Director of Human Resources has instituted a new Senior Executive Service (SES) program, deployed an online staffing and recruitment system, and implemented a new personnel payroll system. These are new and cutting-edge systems that allow the Institute to streamline their internal processes and respond to applicants and employees in a more professional and efficient manner..

The Office of Human Resources is striving to implement a Human Capital Accountability and Assessment Framework (HCAAF) for FY 2009-10. This plan will include both targets and sub-targets to include succession management, a single appraisal system for all employees of the Institute, and other systems to support the Office Human Resources (OHR) initiatives to further bring the Institute in alignment with other comparable agencies.

During this fiscal year, the agency has emphasized employee training and engagement. Training on personnel matters focused on 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; Ethics and Government Service; Employee Performance Evaluation; and Benefits Available to Federal Employees.

Information Technology
During FY 2009, the agency conducted a reassessment of the planned approach of partnering with GrantSolutions.gov, after determining the cost to do so would not be cost effective over the long term. A reevaluation of alternative solutions is underway.

Grants Management
IMLS continues to expand its electronic government capabilities consistent with the goals of the Administration's management efforts and is committed to leveraging technology to minimize the burden on grantees and increase efficiencies agency-wide. IMLS presently delivers a number of

services electronically and will be enhancing and expanding these services. In addition to the IMLS Web site, which provides application guidelines, publications, and other information, IMLS continues to partner with other federal agencies on Regulations.gov and the Grants.gov portal.

IMLS actively participates in government-wide initiatives to streamline the federal grant making process. The agency's Chief Financial Officer is a member of the federal Grants Executive Board and the Grants Policy Committee (GPC), and the agency participates in the Grants.gov User Group. The Grants.gov Initiative benefits IMLS and its grant programs by providing a single location to publish grant opportunities and application packages and by providing a single site for the grants community to apply for grants using common forms, processes, and systems. By publishing its funding opportunities on Grants.gov, IMLS is reaching a larger, more diverse applicant pool.

An agreement with one of the OMB- approved Grants Management Line of Business (GMLoB) providers was executed with the Department of Health and Human Services, Administration for Children and Families (ACF) in January 2008. In FY 2009 IMLS completed a preliminary fit-gap analysis to determine how the IMLS grant's management process will fit in with ACF's GrantsSolutions process. However, the implementation process is currently on hold as the Agency is re-evaluating the best course of action on how to proceed with this initiative.

Pre-Award: In FY 2009, synopses and application packages for all of IMLS's discretionary grant programs were posted on Grants.gov, meeting the 100 percent goal set by OMB for participating agencies. Applications via Grants.gov were mandatory for all of these programs.

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

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

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

Improved Financial Performance
IMLS's relationship with the FAA's Enterprise Service Center for accounting services continues

to be successful. The Enterprise Service Center is a designated "Center of Excellence" by the Office of Management and Budget. The partnership with the ESC has been enormously beneficial. It affords IMLS access to timely reporting and accounting services, and to the financial information necessary to make strategic agency and programmatic decisions.

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

The Institute successfully completed the its first 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 mangers to electronically process personnel actions and thereby streamline this process. It will also result in improved timeliness of processing personnel actions. The next phase of the transition will implement a project tracking feature, which will allow the Institute to capture cost data to support the Institute's goals and targets. This feature will also aid the Institute in preparing its annual Performance and Accountability Report.

During Fiscal Year 2009, IMLS continued its review of its procurement policies and procedures, and further enhanced its procurement program. The Institute's Contracting Officer provided day-to-day supervision of the agency's procurement office and provided guidance on the procurement aspects of the agency's operations. The Contracting Officer also engaged senior managers in acquisition planning which has resulted in significant improvement of procurement requests and consequently contract administration. Additionally, IMLS successfully transitioned to the GSA SMARTPAY2 program in FY2009, and continues its' use of the federal purchase card for micro-purchases program. .

Measurement Challenges

While these four goals provide important guidance for the entire agency, translating each goal into discrete operational measures has proven to be a challenge. Agency targets outlined in previous budget cycles were developed without the explicit intent of tracking performance over time. In some cases the agency performance targets were not articulated as measurable outcome indicators. The limitations of previous operational measures resulted in a lack of clarity regarding data collection procedures and limited progress toward standardizing the performance measurement procedures and incorporating these measures into routine organizational practice.

To address the need for more standardized performance measures IMLS will be working with an independent firm to develop a detailed, agency-wide Performance Management Plan (PMP), which includes specific performance measures for program activities across the agency. The vendor will develop a PMP that highlights specific data elements that will be used to monitor and report progress in achieving the quantitative management goals. The plan will be developed in consultation with the IMLS Office of Policy, Planning, Research and Communication and a Performance Management Plan Development Team (PMPDT) made up of key staff from across the agency. The goal of the project is to provide IMLS with a detailed plan for performance measurement and to define clear, actionable steps for tracking agency performance over time. The final performance management plan is to be reviewed and adopted by IMLS senior management.

FY 2010 work will include the following tasks:

- Develop a plan for the performance management planning process. The plan should include: roles and responsibilities of IMLS performance management plan development team; identify a process for collection and reviewing background materials; a detailed work plan identifying deliverable dates; and schedules for performance management team briefing meetings.

- Development of Performance Management Plan.

  o Part 1: Create an Agency Results Framework. Work with key IMLS staff to develop an agency results framework; provide key definitions for performance results with guidance materials and other resources; assess quality of results statements; validate the logic of results statements; verify that the desired results are measureable and within IMLS's interest and authority; ensure critical assumptions are identified.

  o Part 2 – Develop Performance Indicators. Work with key IMLS staff to develop list of potential indicators; assess risks of potential indicators; assist PMPDT with the selection of indicators that address agency goals; document final indicators in the agency performance management plan. The performance indicators should be developed in a manner that they can be easily verified and validated by the public. IMLS will work with OMB on developing and implementing the measures.

- o Part 3 – Identify Data Source and Collection Method for Performance Measures. Identify potential data sources; generate data collection options; recommend data collection options to IMLS Performance Management Planning team; assess current data collection strategies by agency and determine whether and how current data collection procedures meet performance data collection needs; recommend alternative data collection methods if current agency procedures do not collect data necessary to meet performance management indicators.

- Finalize Performance Management Plan. The plan should outline procedures for collecting baseline data; conducting a data quality assessment review; establish parameters for use of baseline data in developing performance indicator targets. The report should include systematic review of current program materials; detailed description of indicators selected by PMPDT; data sources and data collection strategies and validation methodologies. The plan should also include recommendations for incorporating other assessments and learning activities into the overall agency performance reporting, such as recommendations for program evaluations and special studies.

The project will result in a final performance management plan that includes an assessment of current data collected by the agency, detailed plans for developing an agency program measurements and a comprehensive listing of measureable indicators by program area for all IMLS program initiatives.

Program Evaluation
IMLS 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. In FY 2010, the agency plans an evaluation of its Museum for America program and in FY 2011 an analysis of the Laura Bush 21st Century Librarian Program. This is an effort consistent with Director Orzag's October 7, 2009 memo on "Increased Emphasis on Program Evaluations" and consistent with the Museum and Library Services Act.

Financial Section

Message from the Chief Financial Officer

I am proud to join the Institute's Director, Dr. Anne-Imelda M. Radice, in presenting the Institute's FY 2009 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, 2009.

I am pleased to report that the agency has received an unqualified, "clean", opinion for its comparative financial statements for fiscal years 2009 and 2008 which represents the fourth consecutive unqualified opinion. The audit includes one finding on the third quarter statements, which is a significant deficiency. This finding involved the Institute's ability to comply with accounting standards governing the timing of expense and revenue recognition. Although new procedures appeared to have been properly designed to provide reasonable assurance that revenues and expenses would be matched timely, they were implemented late in the fiscal year and had not yet produced sufficient evidence for the auditors to determine their overall effectiveness. Both findings from FY2008, one of which was a material weakness, have been corrected in FY2009. The unresolved finding from FY2007 has been improved and poses little or no risk to IMLS financial statements..

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

I want to extend my sincere appreciation to all the dedicated Institute staff whose hard work and attention to detail has made the FY 2009 unqualified opinion possible. The Institute will be led by a new Executive Director in FY 2010, but IMLS is prepared for a smooth transition. I anticipate another productive year, continuing to build on the significant progress achieved in FY 2009.

Shannon A. Hensler, CGFM
Chief Financial Officer

LEON SNEAD
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Director, Institute of Museum and Library Services

Independent Auditor's Report

We have audited the balance sheets of the Institute of Museum and Library Services (IMLS) as of September 30, 2009 and 2008, 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, 2009 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. However, 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, 2009 and 2008, 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, 2009 and 2008, 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, 2009 and 2008, in accordance with auditing standards generally accepted in the Unites States of America, we considered the IMLS' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the IMLS' internal control. Accordingly, we do not express an opinion on the effectiveness of the IMLS' internal control.

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

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

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

1. IMLS needs to improve the timeliness of intragovernmental revenue recognition.

    The process IMLS uses to record transactions funded by intragovernmental agreements does not ensure the timely matching of revenue and related expenses. Currently, 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.

    Statement of Federal Financial Accounting No. 7, *Accounting for Revenue and Other Financing Sources*, states:

    > Revenue from exchange transactions should be recognized when goods or services are provided to the public or another Government entity at a price.… When services are provided to the public or another Government entity (except for specific services produced to order under a contract), revenue should be recognized when the services are performed.… When advance fees or payments are received, such as for largescale, long-term projects, revenue should not be recognized until costs are incurred from providing the goods and services (regardless of whether the fee or payment is refundable). An increase in cash and an increase in liabilities, such as "unearned revenue," should be recorded when the cash is received.

    IMLS processed grantee payment requests through ESC Accounts Payable staff to distribute funds to grantees, but did not communicate this information to other ESC personnel who were responsible for billing trading partners for their share of the cost. In some cases, IMLS did not recognize revenues from trading partners until several months after having incurred the associated expenses with grantees. In one case, the grantee expense was recognized upon payment of $80,000 on November 7, 2008. In a second case, the grantee expense of $82,500 was recognized upon liquidation of an advance on February 5, 2009. The corresponding revenues for these expenses were not recognized until April 2009.

Recommendation

We recommend that IMLS develop procedures to include ESC Accounts Receivable in transaction processing for reimbursable costs.

Management Response

IMLS management concurred with the finding and began to develop written procedures to ensure that advances are liquidated within 30 days of expenditure posting to the general ledger and the revenue is recorded in a timely manner. Management expected to complete the corrective action by October 1, 2009.

Auditor's Comment

During our testing of IMLS records as of and for the year ended September 30, 2009, we obtained and reviewed the ESC's updated, written procedures for processing reimbursable expenses and related revenues. The updated procedures entailed daily reviews of account relationships to identify reimbursable expenses for which no revenues have been recognized and communication of those transactions to the ESC Accounts Receivable unit for billing. Although the procedures appeared to have been properly designed to provide reasonable assurance that revenues and expenses would be matched timely, they were implemented late in the fiscal year and had not yet produced sufficient evidence for us to determine their overall effectiveness.

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

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.

<u>Auditor Responsibilities</u>

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

DISTRIBUTION

This report is intended solely for the information and use of the management 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.
November 6, 2009

Status of Prior Year Findings

<u>Description</u>	<u>Status as of September 30, 2009</u>
1. IMLS systems controls need continued improvement to meet Federal information systems requirements.	1. IMLS has made additional progress on resolving its systems controls and security issues. During the fiscal year, IMLS obtained an independent evaluation of its compliance with the Federal Information Security Management Act (FISMA). Although the evaluation noted significant areas needing improvement, those issues related solely to systems managed within IMLS. Because IMLS uses service providers for all of its financial management systems, and those service providers are responsible for FISMA compliance within those systems, the issues cited in the IMLS FISMA report pose little or no risk to the IMLS financial statements.
2. The IMLS Statement of Net Cost (SNC) as of June 30, 2008, and the related notes to the financial statements did not break down costs by major program.	2. IMLS developed and implemented a cost accounting methodology during 2008 and further refined it during 2009. As a result, corrective action was completed on this finding.
3. Grantees did not always liquidate advances within the timeframes prescribed by IMLS.	3. IMLS developed and implemented procedures to obtain grantee reporting sufficient to liquidate advances timely. As a result, corrective action was completed on this finding.

November 6, 2009
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 2009 financial statements and related review of our internal controls and compliance with laws and regulations, as required by the Accountability of Tax Dollars Act of 2002.

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

The auditors' report contained one recommendation; on behalf of the agency, I am pleased to respond: The auditors recommended that IMLS develop procedures to include ESC Accounts Receivable in transaction processing for reimbursable costs. Written procedures for processing reimbursable expenses and related revenues were prepared and implemented during the fourth quarter. The updated procedures entail daily reviews of account relationships to identify reimbursable expenses for which no revenues have been recognized and communication of those transactions to the ESC Accounts Receivable unit for billing.

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,

Dr. Anne-Imelda M. Radice
Director

INSTITUTE OF MUSEUM AND LIBRARY SERVICES
BALANCE SHEET
As of September 30, 2009 and 2008
(in dollars)

Assets:		2009		2008
Intragovernmental :				
Fund balance with Treasury (note 2)	$	366,480,909	$	354,600,465
Accounts Receivable (note 3)		-		30,000
Other - Advances (note 5)		-		1,620,341
Total intragovernmental		366,480,909		356,250,806
General property, plant and equipment, net (note 4)		504,115		630,120
Other - Grant Advances (note 5)		733,052		7,401,263
Total assets	**$**	**367,718,076**	**$**	**364,282,189**
Liabilities:				
Intragovernmental :				
Other (note 7)	$	2,196,076	$	1,643,199
Total intragovernmental		2,196,076		1,643,199
Accounts payable		160,081		198,022
Federal employee and veteran benefits		-		-
Benefits due and payable (note 6)		513,123		511,338
Other (note 7)		806,084		867,153
Other - Grant Accrual (note 7)		50,486,898		54,837,503
Total liabilities		54,162,262		58,057,215
Commitments and contingencies		-		-
Net position:				
Unexpended appropriations - other funds		310,823,882		303,424,116
Cumulative results of operations - earmarked funds (note 9)		1,321,598		1,296,211
Cumulative results of operations - other funds		1,410,334		1,504,647
Total net position	$	313,555,814	$	306,224,974
Total liabilities and net position	**$**	**367,718,076**	**$**	**364,282,189**

The accompanying notes are an integral part of these statement

INSTITUTE OF MUSEUM AND LIBRARY SERVICES
STATEMENT OF NET COST
For the Years Ended September 30, 2009 & 2008
(in dollars)

Program costs: (note 10 & 11)		2009		2008
Goal 1: Sustaining Heritage, Culture and Knowledge				
Gross Costs	$	19,154,374	$	16,462,003
Less: Earned Revenue (note 12)		1,050,329		629,146
Net Program Costs		18,104,045		15,832,857
Goal 2: Enhancing Learning and Innovation				
Gross Costs	$	201,373,620	$	190,951,553
Less: Earned Revenue		23,595		-
Net Program Costs		201,350,025		190,951,553
Goal 3: Building Professional Capacity				
Gross Costs	$	47,151,844	$	30,932,032
Less: Earned Revenue		-		-
Net Program Costs		47,151,844		30,932,032
Goal 4: Increase Administrative Capacity for Excellence				
Gross Costs	$	1,633,153	$	-
Less: Earned Revenue		-		-
Net Program Costs		1,633,153		-
Costs not assigned to programs (note 10 & 11)	$	-	$	24,919,801
Less: Earned revenues not attributed to programs		-		-
Net Cost of Operations	**$**	**268,239,067**	**$**	**262,636,243**

The accompanying notes are an integral part of these statements

INSTITUTE OF MUSEUM AND LIBRARY SERVICES
STATEMENT OF CHANGES IN NET POSITION
For the Years Ended September 30, 2009 and 2008
(in dollars)

	2009			2008		
	Earmarked Funds	All Other Funds	Consolidated Total	Earmarked Funds	All Other Funds	Consolidated Total
Cumulative Results Of Operations:						
Beginning Balances	$ 1,296,211	$ 1,504,647	$ 2,800,858	$ 1,426,515	$ 1,712,771	$ 3,139,286
Adjustments:						
Changes in accounting priciples	-	-	-	-	-	-
Corrections of errors	-	-	-	-	-	-
Beginning Balance, as adjusted	1,296,211	1,504,647	2,800,858	1,426,515	1,712,771	3,139,286
Budgetary Financing Sources:						
Appropriations Used	-	267,440,234	267,440,234	-	261,613,878	261,613,878
Nonexchange Revenue	-	-	-	17,177	-	17,177
Donations of Cash and Cash Equivalents	250,000	-	250,000	317,480	-	317,480
Other Financing Sources (Non-Exchange):						
Imputed financing	-	479,907	479,907	-	349,280	349,280
Total Financing Sources	250,000	267,920,141	268,170,141	334,657	261,963,158	262,297,815
Net Cost of Operations	224,613	268,014,454	268,239,067	464,961	262,171,282	262,636,243
Net Change	25,387	(94,313)	(68,926)	(130,304)	(208,124)	(338,428)
Cumulative Results Of Operations	$ 1,321,598	$ 1,410,334	$ 2,731,932	$ 1,296,211	$ 1,504,647	$ 2,800,858
Unexpended Appropriations:						
Beginning Balance	-	303,424,116	303,424,116	-	303,281,234	303,281,234
Adjustments:						
Changes in accounting priciples	-	-	-	-	-	-
Corrections of errors	-	-	-	-	-	-
Beginning Balance, as adjusted	-	303,424,116	303,424,116	-	303,281,234	303,281,234
Budgetary Financing Sources:						
Appropriations Received	-	274,840,000	274,840,000	-	268,193,000	268,193,000
Appropriations transferred in/out	-	-	-	-	-	-
Other Adjustments	-	-	-	-	(6,436,240)	(6,436,240)
Appropriations Used	-	(267,440,234)	(267,440,234)	-	(261,613,878)	(261,613,878)
Total Budgetary Financing Sources	-	7,399,766	7,399,766	-	142,882	142,882
Total Unexpended Appropriations	-	310,823,882	310,823,882	-	303,424,116	303,424,116
Net Position	$ 1,321,598	$ 312,234,216	$ 313,555,814	$ 1,296,211	$ 304,928,763	$ 306,224,974

The accompanying notes are an integral part of these statements

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

STATEMENT OF BUDGETARY RESOURCES
For the Years Ended September 30, 2009 and 2008
(in dollars)

	2009 Budgetary	2008 Budgetary
Budgetary Resources:		
Unobligated balance, brought forward, October 1:	$ 7,384,499	$ 12,379,664
Recoveries of prior year unpaid obligations	2,909,924	5,377,238
Budget authority		
Appropriation		
Actual	275,090,000	268,527,657
Anticipated	-	-
Spending authority from offsetting collections:		
Earned		
Collected	1,105,443	616,891
Change in receivables from Federal sources	(30,000)	30,000
Change in unfilled customer orders		
Advance received	618,290	299,879
Without advance from Federal sources	-	-
Anticipated for rest of year, without advances	-	-
Subtotal	1,693,733	946,770
Temporarily not available pursuant to Public law	-	-
Permanently not available	-	-
Cancellation of expired and no-year accounts (-)	-	(1,750,907)
Enacted reductions (-)	-	(4,685,332)
Total Budgetary Resources	$ 287,078,156	$ 280,795,090
Status of Budgetary Resources:		
Obligations incurred: (note 13)		
Direct	$ 275,285,110	$ 271,679,828
Reimbursable	1,668,619	809,025
Exempt from apportionment	181,803	921,738
Subtotal	277,135,532	273,410,591
Unobligated balance:		
Apportioned	4,592,304	1,998,928
Apportioned for subsequent periods	-	-
Anticipated	-	-
Exempt from apportionment:	-	
Exempt from apportionment	506,831	438,634
Anticipated (+ or -)	-	-
Subtotal	5,099,135	2,437,562
Unobligated balance not available	4,843,489	4,946,937
Total status of budgetary resources	$ 287,078,156	$ 280,795,090
Change in Obligated Balance:		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	$ 347,181,737	$ 332,826,584
Less: Uncollected customer payments from		
Federal sources, brought forward, October 1	(30,000)	-
Total unpaid obligated balance, net	$ 347,151,737	$ 332,826,584
Obligations incurred, net(+/-)	277,135,532	273,410,591
Less: Gross outlays	(264,869,060)	(253,678,199)
Less: Recoveries of prior unpaid obligations, actual	(2,909,924)	(5,377,238)
Change in uncollected customer payments		
from Federal sources (+/-)	30,000	(30,000)
Obligated balance, net, end of period		
Unpaid obligations	356,538,285	347,181,737
Uncollected customer payments from Federal sources (+/-)	-	(30,000)
Total, unpaid obligated balance, net, end of period	$ 356,538,285	$ 347,151,737
Net Outlays:		
Gross outlays	$ 264,869,060	$ 253,678,199
Less: Offsetting collections	(1,723,733)	(916,771)
Less: Distributed offsetting receipts	-	(64,229)
Net outlays	$ 263,145,327	$ 252,697,200

The accompanying notes are an integral part of these statements

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.

C. <u>Budgets and Budgetary Accounting</u>

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. <u>Basis of Accounting</u>

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. <u>Fund Balance with Treasury and Cash</u>

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. <u>Revenues and Other Financing Sources</u>

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. <u>Non-Entity Assets and Liabilities</u>

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

H. General Property, Plant and Equipment

IMLS' policy is to depreciate property, plant and equipment over the estimated useful life of the asset 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:

Asset Class	Useful Life
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.

Note 2 Fund Balance with Treasury

Intragovernmental:	2009		
	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	$ 366,480,909	$ -	$ 366,480,909

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

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	$ 366,480,909

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

Note 3 Accounts Receivable

In FY2008 the IMLS entered into an interagency agreement with the National Endowment for the Humanities (NEH), supporting the IMLS Connecting to Collections: National Tour initiative. Under this agreement, the NEH would transfer $30,000 to the IMLS in support of the above mentioned initiative. IMLS has since collected the monies in FY2009.

	2009	2008
Gross Receivables:		
Receivables due from Gov't entities	$ -	$ 30,000
Receivables due from public	-	-
Allowance for uncollectible accounts	-	-
Net Receivables	$ -	$ 30,000

Note 4 General Property, Plant & Equipment

	2009		
Major Class	**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	45,219	45,219	0
Total PP&E	$ 1,000,296	$ 496,181	$ 504,115

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

The <u>leasehold improvement</u> 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 <u>equipment</u> 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 <u>asset under capital lease</u> 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%.

Note 5 Other Assets

	2009	2008
Intragovernmental Advances	$ -	$ 1,620,341
Grant Advances	733,052	7,401,263
Total Other Assets	$ 733,052	$ 9,021,604

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 the year ending September 30, 2009.

Note 6 Liabilities Not Covered by Budgetary Resources

	2009
Intragovernmental:	
Total intragovernmental	$ -
Accounts Payable	-
Accrued Unfunded Leave	513,123
Misc. Receipts Payable to Treasury	-
Total liabilities not covered by budgetary resources	513,123
Total liabilities covered by budgetary resources	53,649,139
Total liabilities	$ 54,162,262

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

Note 7 Other Liabilities

	2009		
	Non-Current	Current	Total
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	$ -	$ 2,196,076	$ 2,196,076
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	$ 472,743	$ 53,016,315	$ 53,489,058

	2008		
	Non-Current	Current	Total
Intragovernmental:			
Liability for Prepayments	$ -	$ 1,473,562	$ 1,473,562
Employer Contrib. &PR Tax	-	105,408	105,408
Misc Receipts due to Treasury	-	64,229	64,229
Total Intragovernmental	$ -	$ 1,643,199	$ 1,643,199
Public:			
Accrued Pay and Benefits	-	308,488	308,488
Capital Leases	558,665	-	558,665
Misc. Receipts Due to Treasury	-	-	-
Grant Accrual	-	54,837,503	54,837,503
Total Other Liabilities	$ 558,665	$ 56,789,190	$ 57,347,855

Note 8 Leases

IMLS as Lessee

Capital Leases:	**2009**
Summary of Assets Under Capital Lease:	
Leasehold Improvements	$ 782,914
Accumulated Amortization	352,312
Net	$ 430,602
Equipment - Canon	$ 45,219
Accumulated Amortization	45,219
Net	$ -

IMLS as Lessee

Capital Leases:	**2008**
Summary of Assets Under Capital Lease:	
Leasehold Improvements	$ 782,914
Accumulated Amortization	274,020
Net	$ 508,894
Equipment - Canon	$ 45,219
Accumulated Amortization	33,914
Net	$ 11,305

Description of Lease Arrangements:

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

The equipment capital lease is a photocopier that was under a lease to own agreement; the photocopier is now owned by IMLS.

Future Payments Due:

| | **2009** | |
| | Asset Category | |
Fiscal Year	Leasehold Improvments	Canon Equipment
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	535,964	-
Less: Imputed Interest	63,222	-
Net Capital Lease Liability	$ 472,742	$ -
Lease liabilities covered by budgetary resources	$ 472,742	$ -

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

INSTITUTE OF MUSEUM AND LIBRARY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
As of September 30, 2009 and 2008
(in dollars)

Operating Leases:

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

IMLS leases a postage meter. The lease term for the postage meter is 48 months ending July 2010.

Future Payments Due:

	2009	
	Asset Category	
	Office	
Fiscal Year	Space	Equipment
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	$11,644,406	$ 2,493

	2008	
	Asset Category	
	Office	
Fiscal Year	Space	Equipment
2009	2,035,280	3,324
2010	2,058,917	2,493
2011	2,083,262	-
2012	2,108,338	-
2013	2,134,167	
After 5 years	3,259,722	-
Total Future Lease Payments	$13,679,686	$ 5,817

Note 9 Earmarked Funds

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

Balance Sheet as of September 30	2009	2008
ASSETS		
Fund balance with Treasury	$ 1,318,598	$ 1,296,211
Investment	-	-
Other Assets	3,000	-
Total Assets	$ 1,321,598	$ 1,296,211
LIABILITIES and NET POSITION		
Other Liabilities	$ -	$ -
Cumulative Results of Operations	1,321,598	1,296,211
Total Liabilities and Net Position	$ 1,321,598	$ 1,296,211

Statement of Net Cost for the Year Ending September 30	2009	2008
Program Costs	$ (224,613)	$ (464,961)
Less Resources	250,000	334,657
Excess of Donations Received Over Cost Incurred	$ 25,387	$ (130,304)

Statement of Changes in Net Postion for the Year Ended September 30	2009	2008
Net Position Beginning of Period	$ 1,296,211	$ 1,426,515
Change in Net Position	25,387	(130,304)
Net Position End of Period	$ 1,321,598	$ 1,296,211

Note 10 Intragovernmental Costs and Exchange Revenue by Program/Goal

In 2006, IMLS changed its organizational structure and redesigned its Strategic Plan to enhance its ability to accomplish its mission of connecting people to information and ideas. Based on the new Strategic Plan, IMLS revised the agency's goals in the annual performance plan for the 2008 Budget of the United States Government. The IMLS has reflected those revised goals, and the related costs by goal, in the 2009 and 2008 Statement of Net Cost and related notes.

	2009	2008
Goal 1: Sustaining Heritage, Culture and Knowledge		
Intragovernmental costs	$ 648,750	$ 575,848
Public Costs	18,505,624	15,886,155
Less: Intragovernmental earned revenue	1,050,329	629,146
Less: Public earned revenue	-	-
Net Program Cost	$ 18,104,045	$ 15,832,857
Goal 2: Enhanced Learning and Innovation		
Intragovernmental costs	$ 1,991,325	$ 1,184,491
Public Costs	199,382,295	189,767,062
Less: Intragovernmental earned revenue	-	-
Less: Public earned revenue	23,595	-
Net Program Cost	$ 201,350,025	$ 190,951,553
Goal 3: Building Professional Capacity		
Intragovernmental costs	$ 2,405,238	$ 550,000
Public Costs	44,746,606	30,382,032
Less: Intragovernmental earned revenue	-	-
Less: Public earned revenue	-	-
Net Program Cost	$ 47,151,844	$ 30,932,032
Goal 4: Increase Administrative Capacity for		
Intragovernmental costs	$ 1,483,841	$ -
Public Costs	149,312	-
Less: Intragovernmental earned revenue	-	-
Less: Public earned revenue	-	-
Net Program Cost	$ 1,633,153	$ -
Intragov. costs not assigned to programs	$ -	$ 9,096,570
Public costs not assigned to programs	-	15,823,231
Total costs not assigned to programs	$ -	$ 24,919,801
Net Cost of Operations	**$ 268,239,067**	**$ 262,636,243**

Note 11   Suborganization Program Costs/Program Costs by Segment

Program costs:	Library State Grants	Library Other Grants	Museum Grants	Administrative	Total
2009					
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

2008

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

Note 12 Exchange Revenue

Exchange Revenue in the amount of $1,050,329 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.

Note 13   Apportionment Categories of Obligations Incurred

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

2009

	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	$ 1,654,003	$ 275,481,529	$ 277,135,532

2008

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

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

The President's Budget, which includes actual numbers for fiscal year 2009, has not yet been published. Actual numbers for fiscal year 2009 will be included in the President's Budget for fiscal year 2011 around February 5, 2010. 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 2008 Statement of Budgetary Resources and the 2008 actual amounts reported in the Budget of the United States Government.

Note 15 Undelivered orders at the end of the period

	2009	2008
Undelivered orders as of September 30		
Administrative	$ 2,602,049	$ 1,524,253
Program	304,886,367	298,710,120
Exempt from Apportionment	814,767	-
Total undelivered orders	$ 308,303,183	$ 300,234,373

Note 16 Incidental Custodial Collections

	2009	2008
Income from IMLS projects funded in prior years	$ 14,482	$ 64,229
Disposition of collections:		
Transferred to Treasury (general fund)	$ 14,482	$ 64,229
Net custodial revenue activity	$ -	$ -

Note 17 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.

Note 18 Reconciliation of Net Cost of Operations to Budget

	2009	2008
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations incurred	$ 277,135,532	$ 273,410,591
Less: Spending authority from offsetting collections and recoveries	(4,603,657)	(6,324,009)
Less: Offsetting receipts	-	(64,229)
Obligations net of offsetting collections and recoveries	$ 272,531,875	$ 267,022,353
Other Resources		
Imputed financing from costs absorbed by others	479,907	349,280
Total resources used to finance activities	$ 273,011,782	$ 267,371,633
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 (+/-)	(4,890,622)	(5,127,743)
Resources that fund expenses recognized in prior periods		
Budgetary offsetting collections and receipts that do not affect net cost of operations:		
Other	-	64,229
Resources used to finance the acquisition of assets	-	-
Resources used to finance items not part of the net cost of operations	(4,890,622)	(5,063,514)
Resources Used to Finance the Net Cost of Operations:	$ 268,121,160	$ 262,308,119
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	$ 1,785	162,261
Increase in Exchange Revenue		
Other (+/-)	(9,883)	39,117
Total components of Net Cost of Operation	$ (8,098)	$ 201,378
Components not Requiring or Generating Resources:		
Depreciation and amortization	$ 126,005	$ 126,005
Other (+/-)	-	741
Total components of Net Cost of Operations that will not require or generate resources	$ 126,005	$ 126,746
Total components of Net Cost of Operations that will not require or generate resources in the current period	$ 117,907	$ 328,124
Net Cost of Operations	$ 268,239,067	$ 262,636,243

Summary of Financial Statement Audit and Management Assurances

Table 1.

Summary of Financial Statement Audit

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

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
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