

Municipality of Anchorage



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Rick Mystrom, Mayor

OFFICE OF THE INTERNAL AUDITOR

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Internal Audit Report 97-12 Friends of the Library Cultural and Recreational Services

Introduction. The Friends of the Library, a not-for-profit organization, was incorporated in 1983. Their stated purpose is to maintain an association of individuals interested in enhancing the effectiveness of the libraries, focus public attention on the libraries, stimulate the use of the libraries, support and cooperate with the Municipal Library staff in developing services and facilities, promote and participate in fund raising activities for the benefit of the libraries, and sponsor educational and social programs. Funds are raised through gift shop sales, membership fees, and activities such as author parties, concerts, the BP Book Wish List, dinners and family events. A Letter of Agreement between the Municipal Library and the Friends of the Library was signed in 1990. The Letter of Agreement grants exclusive authorization to operate a gift shop on the Municipal Library premises, with the net proceeds of sales to be used for the benefit of the Municipal Library. The Municipal Library provides the Friends of the Library with space and other support services.

Scope. The objective of this audit was to determine whether the Friends of the Library was providing a benefit to the Municipal Library and was meeting the objectives of the Letter of Agreement. Specifically, we reviewed the type and amount of support that was being provided to the Municipal Library, we reviewed the Letter of Agreement for adequacy, and we analyzed the financial condition of the Friends of the Library. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit period was calendar year 1996. The audit was requested by the Administration.

Overall Evaluation. During 1996, the Friends of the Library provided the Municipal Library \$23,000 in monetary contributions, \$3,600 of in-kind contributions, and other non-monetary services. In addition, the Friends of the Library was generally meeting the objectives of the Letter of Agreement. However, the Letter of Agreement could be improved to more clearly delineate the type and extent of benefit that is expected to be provided to the Municipal Library. See Attachment 1 for a schedule of revenue and expenditures for 1996.

FINDINGS AND RECOMMENDATIONS

1. The Friends of the Library Provided Both Monetary and Non-Monetary Support to the Municipal Library.

a. Finding. During 1996, the Friends of the Library provided a variety of support and donations to the Municipal Library as follows:

(1) Monetary Contributions - \$23,027.48.

The \$23,027.48 consisted of \$10,000 from the BP Book Wish List fund raiser, \$5,627.48 from the 1995 Saturday Night in the Stacks program and \$7,400 from the 1996 Saturday Night in the Stacks program.

(2) Estimated In-Kind Contributions - \$3,600.00.

The in-kind contributions consisted of various expenditures used to support the Municipal Library.

The Municipal Library provides free space to the Friends of the Library for the gift shop, office and storage. They also provided other services such as telephone, fax and photocopying. We estimated the annual cost for these services was less than \$4,000.

2. **The Letter of Agreement Could Be Updated.**

- a. **Finding.** The Letter of Agreement between the Friends of the Library and the Municipal Library could be updated to better document the current relationship. The current Agreement dated October 11, 1990, has not been revised to date and remains in full force until it is terminated by mutual consent. This Agreement generally addresses the gift shop operated by the Friends of Library and states that the net proceeds will be used for the benefit of the Municipal Library. It only briefly mentions other services such as volunteer time and fund raising events. For 1996, no contribution to the Municipal Library came from the gift shop because it reported approximately a \$4,000 deficit for the year. Further, the Agreement mentions that the Municipal Library will provide space amounting to 357 square feet. We found that the Friends of the Library currently utilizes space totaling 407 square feet. Finally, the Agreement does not stipulate what kind or how much support, either monetary or in-kind, should be provided to the Municipal Library.
- b. **Recommendation.** The Municipal Librarian should consider revising and updating the Letter of Agreement with the Friends of the Library. The Agreement should be revised to include all support activities and fund raisers that are expected from the Friends of the Library. The amount of monetary contributions expected from the various fund raising activities, such as a stated percentage of sales or income, should be negotiated and included into the Agreement. The amount of space provided

should be reviewed and revised to be consistent with current usage. In addition, the Agreement should be in effect for a specified period of time, such as two years.

- c. **Management Comments.** Management stated, "Management concurs with the recommendations stated in paragraph 2.b. of the Internal Audit Report concerning the Friends of the Library. The Library will consider revising and updating the Letter of Agreement with the Friends of the Library and include in the revised agreement the recommended information.

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on May 19, 1997.

Audit Staff:
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**Friends of the Library
Summary of 1996 Revenue and Expenditures**

<u>Revenue:</u>	Gift Shop Revenue	\$66,063.33
	Donations	16,654.52
	Membership Dues	11,654.40
	SNIT Revenue	8,715.52
	Miscellaneous	<u>177.20</u>
	Total Revenue	\$103,264.97
<u>Expenditures:</u>	Payroll	\$20,962.73
	Inventory-Gift Shop	45,580.93
	Donations to Municipal Library	23,027.48
	Program Expenses	2,445.87
	Books-Youth Services	344.23
	Postage	478.64
	Friends of the Library Annual Meeting	421.19
	Friends of the Library Membership	452.70
	Library's 10th Anniversary	300.00
	Miscellaneous	174.38
	Bank Charges	29.50
	Office Expense	339.56
	Insurance	1,184.00
	Volunteer Lunch	<u>39.47</u>
	Total Expenditures	\$95,780.68
	Revenue Over (Under) Expenditures	<u><u>\$7,484.29</u></u>

1996 Revenue and Expenditures By Fund

GIFT SHOP FUND

<u>Revenue:</u>	Gift Shop Revenue	<u>\$66,063.33</u>
	Total Revenue	\$66,063.33
<u>Expenditures:</u>	Payroll	\$16,941.46
	Bank Charges	12.00
	Inventory-Gift Shop	45,580.93
	Office Expense	339.56
	Insurance	1,184.00
	Volunteer Lunch	39.47
	Transfer to General Account (Repayment of 1995 Loan)	<u>6,275.00</u>
	Total Expenditures	\$70,372.42
	Revenue Over (Under) Expenditures	<u>(\$4,309.09)</u>

GENERAL FUND

<u>Revenue:</u>	Donations	\$16,654.52
	Membership Dues	11,654.40
	SNIT Revenue	8,715.52
	Transfer from Gift Shop Account (Repayment of 1995 Loan)	6,275.00
	Miscellaneous	<u>177.20</u>
	Total Revenue	\$43,476.64
<u>Expenditures:</u>	Payroll	\$4,021.27
	Donations to Municipal Library	23,027.48
	Program Expenses	2,445.87
	Books - Youth Services	344.23
	Postage	478.64
	Friends of the Library Annual Meeting	421.19
	Friends of the Library Membership	452.70
	Library's 10th Anniversary	300.00
	Miscellaneous	174.38
	Bank Charges	<u>17.50</u>
	Total Expenditures	\$31,683.26
	Revenue Over (Under) Expenditures	<u>\$11,793.38</u>