

Report From Agency
FINAL REPORT
CLEARINGHOUSE RULE 10-139
SECTION PI 6.06
PUBLIC LIBRARY SYSTEM AUDIT REQUIREMENTS

Analysis by the Department of Public Instruction

Statute interpreted: s. 43.24 (3), Stats.

Statutory authority: ss. 43.09 (2) and 227.11 (2) (a), Stats.

Explanation of agency authority:

Section 43.09 (2), Stats., allows the Division for Libraries, Technology and Community Learning in the Department of Public Instruction to promulgate necessary standards for public library systems. If promulgated, such rules shall be consistent with s. 43.15, Stats., and shall be established in accordance with ch. 227, except that the division shall hold a public hearing prior to adoption of any proposed rule.

Section 227.11 (2) (a), Stats., gives an agency rule-making authority to interpret the provisions of any statute enforced or administered by it, if the agency considers it necessary to effectuate the purpose of the statute.

Related statute or rule: None.

Plain language analysis:

Subchapter III of ch. PI 6, Wis. Admin. Code, specifies requirements for public library systems. Current language under s. PI 6.06 (4) (d) dates from 1972 and must be revised to reflect current minimum standard expectations for governmental audits. The proposed rule language states the present minimum standard for governmental audits as they apply to public library systems and is consistent with other department audit requirements for agencies receiving federal and state funds through the department.

The rules require each public library system to contract with a certified public accountant to audit the system's general purpose financial statements for the fiscal year. The audit shall be conducted in accordance with all applicable federal laws and regulations and Wisconsin Statutes and administrative rules including: generally accepted auditing standards; governmental auditing standards issued by the comptroller general of the United States; and the applicable provisions of the United States office of management and budget, circular A-133. The rules also require each public library system to maintain financial statements present in the auditor's report and to submit a corrective action plan when found to be out of compliance.

The proposed rules will apply to public library audits conducted upon the effective date of this rule.

Summary of, and comparison with, existing or proposed federal regulations: None.

Comparison with rules in adjacent states:

Iowa doesn't have any rules relating to library audit requirements.

Illinois requires the board of directors of each library system to:

1. Maintain all financial records at the system headquarters.
2. Cause an annual audit of the records of the system for the preceding fiscal year and those maintained by the treasurer to be made by an independent public accountant. The certified public accountant shall be guided by "Government Auditing Standards."
3. Account for all funds of the library system by expenditure, encumbrance or reserves at June 30 each year.
4. Adopt an annual budget for the ensuing fiscal year.
5. Maintain an inventory of all equipment purchased.
6. Ensure that financial reports are submitted to the state librarian twice a year.

Minnesota requires regional library systems to annually submit an audit of receipts and disbursements. The audit shall be performed by the staff of the state auditor's office, by a certified public accountant, or by a public accountant as defined in Minnesota statutes.

Michigan requires a cooperative library to file with the department a copy of an annual financial audit. If the audit report discloses a deficit or other material deficiency, the cooperative library shall submit a correction action plan for approval by the department.

Summary of factual data and analytical methodologies:

See the plain language analysis.

Analysis and supporting documents used to determine effect on small business or in preparation of economic impact report: N/A.

Anticipated costs incurred by private sector: N/A.

Effect on small business:

The proposed rules will have no significant economic impact on small businesses, as defined in s. 227.114 (1) (a), Stats.

Agency contact person: (including email and telephone)

Michael Cross, Director, Public Library Development, (608) 267-9225, michael.cross@dpi.wi.gov.

Place where comments are to be submitted and deadline for submission:

The department published a hearing notice in the *Administrative Register* which included this information.

A public hearing to consider the proposed rule was conducted by the department on January 13, 1011, in M adison. Persons were asked to register in favor, generally in favor (except for . . .), against, generally against (except for . . .), or for information only.

Madison Hearing, January 13, 2011

NAME	ORGANIZATION	IN FAVOR OR GENERALLY IN FAVOR	OPPOSED OR GENERALLY OPPOSED	OTHER
None				

The following persons submitted written testimony:

NAME	ORGANIZATION	IN FAVOR OR GENERALLY IN FAVOR	OPPOSED OR GENERALLY OPPOSED	OTHER
None				

Summary of public comments relative to the rule, the agency’s response to those comments, and changes made as a result of those comments: None.

Changes made as a result of oral or written testimony: None.

Changes to the analysis or the fiscal estimate: None.

Responses to Clearinghouse Report:

2. Form, Style and Placement in Administrative Code:

- a. Recommendation accepted. Notes have been added following s. PI 6.06.
- b. Recommendation accepted, changes made.

5. Clarity, Grammar, Punctuation and Plainness:

- a. General purpose financial statements is a defined financial reports term.
- b. “Corrective action plan” is a commonly used term that is understood by auditors. If the department determines that a public library system is not in compliance with the audit requirements, the library system must respond to the department with a plan for corrective action stating what it will do to become compliant. For clarity, “to the department” has been added to s. PI 6.06 (4) (f). Audits are always conducted by outside, independent auditors.

Also, all the requirements under s. PI 6.06 must be met. Therefore the use of “section” rather than “subsection” is correct.

- c. Recommendations accepted, changes made.

FINAL REGULATORY FLEXIBILITY ANALYSES

Summary of Final Regulatory Flexibility Analysis:

The proposed rules will have no significant economic impact on small businesses, as defined in s. 227.114(1)(a), Stats.

Summary of Comments:

No comments were reported.