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21 July 1990

Ms. Chivers,

Per our earlier conversation, I am forwarding you a copy pf the Audit Report prepared by Price Waterhouse on the White House Conference on Library and Information Services.

You will find references to my conduct as the former WHCAC Chairman in the section of the report labeled White House Conference on Library and Information Services Report on Compliance with Laws and Regulations.

If you require further information, please let me hear from you.

Many thanks,

A handwritten signature in cursive script, reading "Dan Carter".

Daniel H. Carter



WHITE CONFERENCE ON
LIBRARY AND INFORMATION SERVICES

FINANCIAL STATEMENTS

MAY 15, 1990

Sandy -
Dan Carter
keeps calling
me. I am send-
ing this on to
you. Good Luck
Janice

WHITE CONFERENCE ON
LIBRARY AND INFORMATION SERVICES



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Price Waterhouse



June 22, 1990

Charles E. Reid, Chairman
U.S. National Commission on Libraries
and Information Science
1111 18th Street, N.W.
Washington, D.C. 20036

Report of Independent Accountant

We have audited the accompanying modified cash basis statements of financing sources and of expenditures of the White House Conference on Library and Information Services for the fiscal year ended September 30, 1989, and for periods October 1, 1989 through April 1, 1990 and April 2, 1990 through May 15, 1990. These financial statements are the responsibility of the White House Conference's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the financial audit standards in *Government Auditing Standards* issued by the Comptroller General. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The financial statements were prepared on the basis of cash receipts and disbursements modified as described in Note 2, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financing sources and expenditures of the White House Conference on Library and Information Services for the fiscal year ended September 30, 1989, and for the periods October 1, 1989 to April 1, 1990, and April 2, 1990 to May 15, 1990, on the modified cash basis described in Note 2.

June 22, 1990
U.S. National Commission on Libraries
and Information Science
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Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of expenditures for the fiscal year ended September 30, 1989, and for periods October 1, 1989 through April 1, 1990 and April 2, 1990 through May 15, 1990 are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Bruce Waterhouse

**WHITE HOUSE CONFERENCE ON LIBRARY
AND INFORMATION SERVICES**

Statements of Financing Sources and of Expenditures
For the Fiscal Year Ended September 30, 1989 and the Periods
October 1, 1989 through April 1, 1990 and April 2, 1990 through May 15, 1990

	(Memorandum 45 Days Only) <u>TOTAL</u>	Ending 5/15/90	7 Months Ending 4/1/90	Fiscal Year Ending 9/30/89
FINANCING SOURCES:				
Appropriations	\$2,443,400	-	\$693,400	\$1,750,000
Less: Expired Appropriations	(3,666)	-	-	(3,666)
 Total Financing Sources	 <u>\$2,439,734</u>	 <u>-</u>	 <u>\$693,400</u>	 <u>\$1,746,334</u>
 EXPENDITURES:				
Personnel Compensation:				
Full Time Permanent	\$11,408	\$11,408	-	-
Other than Full Time	35,678	24,933	\$6,945	\$3,800
Benefits	5,650	3,316	2,049	285
Total Personnel Compensation	<u>52,736</u>	<u>39,657</u>	<u>8,994</u>	<u>4,085</u>
Travel and Transportation	27,993	208	2,775	25,010
Rent	7,980	-	-	7,980
Communications, Utilities, and Misc.	49,633	4,500	39,774	5,359
Printing and Reproduction	21,630	957	19,288	1,385
Other Services	367,794	9,798	263,083	94,913
Supplies and Materials	36,750	-	27,318	9,432
Equipments	63,938	-	40,768	23,170
State Grants	<u>1,590,000</u>	<u>15,000</u>	<u>-</u>	<u>1,575,000</u>
 Total Expenditures	 <u>\$2,218,454</u>	 <u>\$70,120</u>	 <u>\$402,000</u>	 <u>\$1,746,334</u>

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENT

1. Reporting Entity

The reporting entity is the White House Conference on Library and Information Services (WHCLIS). In 1988, Public Law 100-382 authorized the President of the United States to call and conduct a White House Conference on Library and Information Services. WHCLIS's primary responsibility is to develop recommendations for the further improvement of the library and information services of the nation.

The conference shall be planned and conducted under the direction of the National Commission Libraries and Information Science. The conference shall be held no earlier than September 1, 1989, and no later than September 30, 1991.

An independent audit report was requested for the periods of inception through April 1, 1990 and from April 2, 1990 through May 15, 1990 in connection with the appointment of a new executive director for WHCLIS.

2. Basis of Accounting

WHCLIS maintains its records on a modified cash basis of accounting. Consequently, revenue is generally recognized when funds are allotted, and expenditures are generally recognized when funds are obligated rather than when cash is paid.

An obligation is generally an order placed, contract awarded, service received, and similar transactions between one or more parties for a purpose authorized by law, which will ultimately result in an appropriation being expended in the same or in a future period.

ADDITIONAL INFORMATION

**WHITE HOUSE CONFERENCE ON LIBRARIES AND
INFORMATION SERVICES**

Schedule of Expenditures
For the Period
October 1, 1989 through April 1, 1990

	<u>Budget</u>	<u>Actual</u>
EXPENDITURES:		
Personnel Compensation:		
Full Time Permanent	\$56,000	-
Other than Full Time	35,000	\$6,945
Benefits	14,400	2,049
Total Personnel Compensation	<u>105,400</u>	<u>8,994</u>
Travel and Transportation	64,100	2,775
Rent	49,200	-
Communications, Utilities, and Misc.	69,600	39,774
Printing and Reproduction	20,600	19,288
Other Services	288,100	263,083
Supplies and Materials	25,700	27,318
Equipments	46,700	40,768
State Grants	24,000	-
Total Expenditures	<u><u>\$693,400</u></u>	<u><u>\$402,000</u></u>

**WHITE HOUSE CONFERENCE ON LIBRARIES AND
INFORMATION SERVICES**

Schedule of Expenditures
For the Fiscal Year Ended September 30, 1989

	<u>Budget</u>	<u>Actual</u>
EXPENDITURES:		
Personnel Compensation:		
Full Time Permanent	=	=
Other than Full Time	\$144,000	\$3,800
Benefits	22,000	285
Total Personnel Compensation	<u>166,000</u>	<u>4,085</u>
Travel and Transportation	51,000	25,010
Rent	18,000	7,980
Communications, Utilities, and Misc.	5,000	5,359
Printing and Reproduction	2,000	1,385
Other Services	27,000	94,913
Supplies and Materials	5,000	9,432
Equipments	1,000	23,170
State Grants	<u>1,475,000</u>	<u>1,575,000</u>
Total Expenditures	<u><u>\$1,750,000</u></u>	<u><u>\$1,746,334</u></u>

Price Waterhouse



June 22, 1990

Charles E. Reid, Chairman
U.S. National Commission on Libraries
and Information Science
1111 18th Street, N.W.
Washington, D.C. 20036

Report on Compliance with Laws and Regulations

We have audited the statements of financing sources and of expenditures of the White House Conference on Library and Information Services for the fiscal year ended September 30, 1989 and for the periods October 1, 1989 through April 1, 1990, and April 2, 1990 through May 15, 1990, and have issued our opinion thereon dated June 22, 1990.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the White House Conference on Library and Information Services is the responsibility of the White House Conference's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the White House Conference's compliance with certain provisions of laws, regulations, and contracts. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the White House Conference on Library and Information Services complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the White House Conference on Library and Information Services had not complied, in all material respects, with those provisions. We noted certain immaterial instances of noncompliance that we have included in the report herein.

June 22, 1990



Charles E. Reid, Chairman
U.S. National Commission on Libraries
and Information Science
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This report is intended for the information of the Conference and management. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Price Waterhouse

WHITE HOUSE CONFERENCE ON LIBRARY AND INFORMATION SERVICES
REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

1. Federal Acquisition Regulations Concerning Competitive Bidding Should Be Complied With for All Procurement Actions.

The White House Conference on Library and Information Services (WHCLIS) procures goods and services primarily through purchase orders of less than \$25,000. Federal agencies are required to obtain at least three quotations from vendors to ensure that the federal government procures goods and services in a cost effective manner even on procurement actions below the \$25,000 threshold for formal competitive bidding procedures. These quotations can be obtained informally; through telephone quotes, via a standard catalog, etc. WHCLIS is responsible to justify good cause for not obtaining the minimum quotations. We found no evidence that the WHCLIS allowed for competitive bidding on the majority of the procurement actions made prior to April 2, 1990, nor could we identify documentation to support why quotations were not obtained. While this condition has improved over the most recent period under audit, discussions with the current Executive Director indicate additional technical cognizance of Federal Acquisition Regulations would enhance operations.

Recommendation:

WHCLIS should obtain at least three competitive bids from vendors for procurement actions under \$25,000. WHCLIS should also document solicitation efforts where competitive bidding was foregone as required under the Federal Acquisition Regulations (FAR). To ensure compliance with FAR, those WHCLIS officials authorized to obligate appropriations should obtain the necessary Office of Personnel Management training.

2. A General Accounting Office Relief Should Be Obtained For Unauthorized Procurement Actions Inadvertently Performed By The Former White House Conference Advisory Committee Chairman.

The former White House Conference Advisory Committee (WHCAC) chairman was improperly authorized to obligate federal funds for WHCLIS. The evidence indicates that the Commission acted in good faith when they erroneously granted this authorization. Further, we found no instances of fraud, waste or abuse of federal funds resulting from the obligations entered into by the former WHCAC chairman. We therefore consider this a technical violation since government appointees are not authorized to obligate federal funds.

Recommendation:

The WHCLIS should obtain the relief of the General Accounting Office in accordance with Chapter 8, Settlement of Accounts and Relief of Accountable Officers, of Title 7, Fiscal Guidance of GAO's Policy and Procedures Manual for Guidance of Federal Agencies for those obligations entered into on behalf of the WHCLIS by the former WHCAC chairman.

3. The White House Conference on Library and Information Services Should Be Reimbursed For Equipment That Is Not Being Used Solely For Conference Purposes.

We noted that WHCLIS funds were used to purchase equipment that is currently being used by the National Commission on Libraries and Information Science (NCLIS). The equipment was purchased prior to the arrival of the current Executive Director who has since initiated efforts to establish proprietary control over the equipment in question. We were unable to determine whether this equipment is being used solely for WHCLIS purposes. WHCLIS funds are "no year" funds established specifically for the conduct of the conference. Their use for any other purpose exposes NCLIS to charges that it is illegally supplementing its annual \$750,000 appropriation. The purchase of equipment that is being used by the NCLIS represents such an exposure. It should be noted that according to Public Law 100-382, materials and equipment acquired by WHCLIS shall revert to the NCLIS after the close of the conference.

Recommendation

The WHCLIS should be reimbursed for any equipment that is not being used solely for the furtherance of the conference. Alternatively, the equipment should be returned to the WHCLIS. Further, any other goods or services obtained through WHCLIS funds should be scrutinized by appropriate management to ensure that it will be used accordingly. Finally, a capital asset group of accounts should be established to permit the accounting records to facilitate adequate management control.

Price Waterhouse



June 22, 1990

Charles E. Reid, Chairman
U.S. National Commission on Libraries
and Information Science
1111 18th Street, N.W.
Washington, D.C. 20036

Report on the Internal Control Structure

We have audited the financial statements of the White House Conference on Library and Information Services for the fiscal year ended September 30, 1989, and for the periods October 1, 1989 through April 1, 1990 and April 2, 1990 through May 15, 1990, and have issued our report thereon dated June 22, 1990.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

In planning and performing our audits of the financial statements of the White House Conference on Library and Information Services for the fiscal year ended September 30, 1989, and for the periods October 1, 1989 through April 1, 1990 and April 2, 1990 through May 15, 1990, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the White House Conference on Library and Information Services is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting

June 22, 1990
Charles E. Reid, Chairman
U.S. National Commission on Libraries
and Information Science
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principles. Because of the inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For purposes of this report, we have classified all significant internal control policies in one category. We obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants and have reported these matters herein. Reportable conditions involve matters that, in our judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described herein is a material weakness.

This report is intended for the information of the Commission and management. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Price Waterhouse

WHITE HOUSE CONFERENCE ON LIBRARY AND INFORMATION SERVICES
INTERNAL CONTROL REPORT

1. Obligations Should Be Recorded Promptly And Payment Vouchers Should Be Compared To Unexpended Obligations Prior To Payment.

We noted several instances where payment vouchers were submitted for payment prior to an obligation of funds being established in the accounting system. The accounting system at the Department of Education permits the processing of payment vouchers even though funds have not been obligated. The system reports these occurrences in an error listing for subsequent correction by management. The occurrences of unobligated expenditures has resulted primarily from the use of temporary staff who did not know how to obligate funds in the accounting system based upon authorized purchase orders. Funds should be obligated prior to the processing and submitting of payment vouchers. This process is required to prevent violation of the anti-deficiency act, i.e., to prevent the over expending of federal funds, and to ensure the recording of the obligations in the correct accounting period.

Recommendation

The White House Conference on Library and Information Services (WHCLIS) Executive Director should ensure that obligations are entered promptly upon the preparation of purchase orders and that payment vouchers are matched to unexpended obligations in order to prevent the over-expending of funds and to properly record obligations in the correct accounting period.

2. The Error File Should Be Corrected In A Timely Manner.

We noted that the WHCLIS had substantial transactions suspended in the error file for extended periods. Transactions that fail the Department of Education edits during either obligation or payment processing must be corrected and resubmitted in the accounting period that they are initially reported if the Commission is to receive accurate financial data.

Recommendation

The WHCLIS Executive Director should review the error file report each month and ensure that errors are promptly corrected in a timely manner. In those instances where error correction cannot be completed by the reporting deadline, management information reports should be corrected as appropriate

3. Compensatory Time Should Be Recorded In The Department of Education Accounting System And Monitored By The Executive Director.

Compensatory time has not been used to a discernable extent by the WHCLIS staff to date and formal control procedures for compensatory time have not been established as a result. A Department of Education Directive requires compensatory hours earned to be recorded on the time and attendance sheets to facilitate the central control and monitoring of earned compensatory time by the payroll system.

Recommendation

The WHCLIS Executive Director should implement the maintenance and tracking of support staff compensatory time in accordance with the Department of Education Directive. In addition, the Executive Director should arrange for the Department of Education to report compensatory time activity each pay period and review activity to ensure compensatory time is being incurred in accordance with Commission resolutions.