



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

Performance and Accountability Report

Fiscal Year 2007

November 15, 2007

Performance and Accountability Report Fiscal Year 2007	2
Message from the Director, Institute of Museum and Library Services	2
I. Management Discussion and Analysis	4
Organizational Structure and Mission	4
Organizational Structure	4
Mission: Connecting People to Information and Ideas	4
Competitiveness Depends Upon Lifelong Learning	5
Performance Goals	5
Performance Highlights	6
Approach	6
Goal One: Sustaining Heritage, Culture, and Knowledge	6
Goal Two: Enhancing Learning and Innovation	8
Goal Three: Building Professional Capacity	11
Goal Four: Attaining Excellence in Federal Management, Operations, and Service	14
Brief Analysis of Financial Statements	18
Management Assurances	19
Limitations of Financial Statements	21
II. Performance and Results.....	22
Process	22
Strategic Plan	22
From Plan to Action	22
IMLS Statutory Role	22
Performance Details	23
Goal One: Sustaining Heritage, Culture, and Knowledge	24
Goal Two: Enhancing Learning and Innovation	25
Goal Three: Building Professional Capacity	26
Goal Four: Attaining Excellence in Federal Management, Operations, and Service	27
Table 1: Sustaining Heritage, Culture and Knowledge: FY 07 Targets	
Table 2: Enhancing Learning and Innovation: FY 07 Targets	
Table 3: Building Professional Capacity: FY 07 Targets	
Table 4: Attaining Excellence in Federal Management, Operations, and Services: FY 07 Targets	
Financial Section.....	29
Message from the Chief Financial Officer.....	29
Attachment:	
Independent Auditor’s Report (Leon Snead & Co.)	
Management’s Response to Audit Reports	
Financial Statement and Notes	

Performance and Accountability Report Fiscal Year 2007

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 2007. The report sets forth the agency's goals and objectives, and highlights our related performance and accomplishments – programmatically, operationally, and financially – 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 implementation of the President's Management Agenda my top priority, and I am pleased that we have many significant accomplishments to report. We have built upon the significant accomplishments of FY 2006 which included strengthening our accounting and financial systems and clarifying the agency's mission and performance goals to enable us to more consistently integrate performance and budget. During FY 2007, the agency appointed a new Chief Information Officer and is focusing its efforts on strengthening its Information Technology systems.

In the program areas we have made significant progress in achieving our goals. A special focus this year was addressing the significant needs of America's library and museum collections. A 2005 study supported by IMLS reported that 190 million objects are at risk – 65 percent of collecting institutions report damage due to environmental conditions, and 80 percent of these institutions have no emergency plans. 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. The agency's initiative has also provided data on federal collections and helped to shape the preservation agenda at the Library of Congress and support for the initiative was recommended by the Advisory on Historic Preservation's Preserve America Summit.

We have also made significant progress in preparing to consolidate library and information policy advisory activities, as well as responsibility for long-standing federal data collection programs for the nation's public and state libraries, into the Institute's programs. Cooperative

work with the National Center for Education Statistics and the U.S. Bureau of the Census has enabled the Institute to enter FY 2008 ready to ensure the seamless transfer of these vital statistical activities.

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.

A handwritten signature in blue ink that reads "Anne-Imelda M. Radice". The signature is written in a cursive style with a large initial 'A'.

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

I. Management Discussion and Analysis

Organizational Structure and Mission

This Performance and Accountability Report demonstrates that the Institute of Museum and Library Services 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 President's Management Agenda.

Organizational Structure

The Institute of Museum and Library Services, an independent federal agency established by Congress 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, and the development of effective museum and library services.

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. The National Museum and Library Services Board (NMLSB) is a twenty-four-member advisory body that includes the Director and Deputy Directors of the Institute, the chair of the National Commission on Libraries and Information Science, and twenty Presidentially appointed and Senate-confirmed members of the general public 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 Awards for Museum and Library Services.

The organization of the Institute consists of offices for Museum Services; Library Services; Administration; Budget and Finance; Information Resource Management; Policy, Planning, Research, and Communications; General Counsel; and Strategic Partnerships.

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, our citizens learn continually, adapt to change readily, and evaluate information critically. The nation's 122,000 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 are using the tools of the Knowledge Age to connect people to information and ideas like never before. Using new technology, creating strong partnerships with community organizations, business and educators, and tapping into 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, analysis, and funding – to ensure that the American ideal of open access to information and ideas flourishes.

Competitiveness Depends Upon Lifelong Learning

In postindustrial America, lifelong learning is fundamental to our nation’s competitiveness. For Americans to remain competitive we must recognize that formal schooling is only one part of the learning continuum. The brilliant variety of libraries and museums that support learning in school, out of school, and from infancy to old age is one of the hallmarks of American education.

Museums and libraries are America’s leading public institutions, making 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 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, we annually reach 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.

Performance Goals

The Institute has four major programmatic goals:

- **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.

- **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.
- **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.
- **Goal Four: Attaining Excellence in Federal Management, Operations, and Service:** The agency is focusing on its administrative capacity in order to fulfill its statutory grantmaking, research, and evaluation activities. The Institute is implementing the consolidation of federal responsibilities for library statistics activities and providing advice on library and information policy. The Institute’s management is committed to meeting growing expectations to demonstrate accountability. Strategic planning and evaluation and implementation of the President’s Management Agenda (PMA) are a priority at the Institute in order to continue to achieve high quality management and performance.

Performance Highlights

Approach

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, publishing) 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.

Goal One: Sustaining Heritage, Culture, and Knowledge

An example of the agency’s strategic approach is its Connecting to Collections: A Call to Action (C2C). Leveraging the Institute’s significant past work in this area, the agency has launched a multi-faceted, multi-year initiative to shine a nationwide spotlight on the needs of

America's collections, especially those held by small to medium-sized libraries and museums, which often lack the human and financial resources necessary to care for their collections.

All four components of the Initiative are based on the 2005 Heritage Health Index (HHI), a comprehensive study that argued powerfully for improved collections care in the United States. According to the study:

- 190 million objects in need of conservation treatment;
- Sixty-five percent of collecting institutions with damage to collections due to improper storage;
- Eighty percent of collecting institutions without an emergency plan for their collections and staff trained to carry it out; and
- Forty percent of institutions with no funds allocated in their annual budgets for preservation or conservation.

The study's recommendations call upon libraries and museums to: provide **safe conditions** for their collections; develop **emergency plans** to protect their collections; and **assign responsibility** for collections to a staff person. And finally, the study calls for individuals at all levels of government and the private sector to support efforts to protect our nation's collections.

The C2C initiative's inaugural event, the National Summit, addressed issues related to the HHI recommendations. In June 2007, 200 representatives from smaller museums and libraries in each state, along with experts and leaders in the field, civic officials, and foundation heads, convened in Washington, D.C. Speakers at this standing-room-only Summit shared both inspirational and practical information with attendees.

To bring the National Summit to the rest of the nation, IMLS designed a National Tour to be held in four different cities in 2008 and 2009 – Atlanta, Denver, San Diego, and Buffalo – each has been created to explore a different topic area.

In addition the agency selected the theme, "Stewardship in the Digital Age: Managing Museum and Library Collections for Preservation and Use," for its eighth annual Web Wise conference (cosponsored by OCLC and the J. Paul Getty Trust.) Each year, this event brings together library and museum practitioners, technology experts and policy makers to explore how technology can expand and improve library and museum service in the United States. In the past few years, museums and libraries have progressed from knowing virtually nothing about how to preserve digital assets to understanding that digitization is an important part of conservation and use. In addition to preserving the tangible objects in their care, there is an increasing awareness that institutions need digital repositories for collections that are physically vulnerable, on fragile or unstable media, or born digital. The response from the library and museum communities was overwhelming. More than 400 participants, representing all types of museums and libraries nationwide, registered in the first few weeks after registration opened. To expand the benefit of the conference IMLS published a conference summary, audio podcasts and visual presentations.

C2C's third component is Statewide Planning Grants, awarded to every state, commonwealth, and territory to create collaborative plans that respond to the HHI recommendations. These grants, scheduled for announcement in February 1, 2008 and February 2, 2009, complement several collections care and management funding programs already in place at IMLS.

IMLS Connecting to Collections Bookshelf, the fourth component, is crucial for the success of the entire initiative, as it is intended as a permanent resource, particularly for small and medium sized institutions. This permanent resource consists of 22 texts divided into two parts: one is designed for zoos and botanical gardens, and contains ten "core" texts plus six special selections for "living" collections; the other comprises 16 resources, including the core texts, for all other kinds of collections.

This project has galvanized many public and private partners. The agency has been working closely with the National Endowment for the Arts, the National Endowment for the Humanities, and the President's Committee on the Arts and the Humanities, who have contributed time and resources to the effort. In addition, IMLS sits on the steering committee for the Advisory Council on Historic Preservation and participated in the fall 2006 activities of the Preserve America Summit. Indeed, the Summit's findings and recommendations acknowledge the importance of conserving cultural collections through support for the IMLS Connecting to Collections initiative. The initiative has leveraged private support as well, including significant grants from the Henry R. Luce Foundation and the Getty Foundation.

Finally, IMLS grant programs continue to support conservation and preservation of collections and other aspects of state-of-the-art collections management, including developing tools and training for museum and library professionals and volunteers. One example is the agency's Conservation Project Support program which supports conservation surveys, treatment, training, and educational components that bring the message of collections conservation to the public. In 2006, the agency saw a 19 percent increase in requests for funding from this program alone, and made awards to 65 institutions in 35 states and the District of Columbia. Some high-impact projects benefit many organizations, such as a grant to the Chicago Zoological Society that is leading a consortium of 18 zoos to research improved management of the okapi, a forest-dwelling, hoofed animal. Other grants supported post-Katrina collections care projects in New Orleans.

Another highlight of 2006 is an award to the Foundation of the American Institute for Conservation of Historic and Artistic Works to create a team of "rapid responders"—some 60 museum professionals to start—that can be mobilized to provide emergency assistance to museums in the wake of hurricanes, earthquakes, and other natural and man-made disasters. This one award has the potential to benefit hundreds of institutions.

Goal Two: Enhancing Learning and Innovation

A new national poll of U.S. voters by the Partnership for 21st Century Skills revealed general dissatisfaction with the current progress of schools in preparing students for life, work, and citizenship in today's high-tech, globally-interconnected world. In short, a clear majority of

voters expressed concerns about our ability to keep pace with the changing educational demands of the twenty-first century.

In our view, informal learning institutions, such as museums and libraries are part of the solution. They play an increasingly vital role in partnership with schools, families, business and community organizations to offer learners of all ages the rich experiences they so desperately need to explore, discover, and make sense of our rapidly changing world.

As stewards of the world's accumulated knowledge libraries and museums play a critical role in building the new knowledge society and in helping our nation narrow the divide between the information haves and the information have nots, battle illiteracy of every kind, increase awareness of other cultures and customs, and increase civic engagement.

Research

IMLS is supporting research to learn more about how and why the American public uses libraries and museums. A national study by the University of North Carolina is examining how people make decisions about where to find information they need. The study looks at how the public uses museums, libraries, the Internet and other information sources to meet their information needs. Parts of the study are complete and show that adults in the U.S. made one billion visits to museums (700 million visits in person and 300 million online) in 2006, about the same number of visits that were made to libraries. Visitors report a very high level of satisfaction in finding what they need. The study documents frequently reported outcomes of museum visits including "changed my perspective" and "inspired me to learn more."

The Pew Center for American Life and the Internet and the University of Illinois are engaged in an IMLS-supported study on public libraries and access to e-government information. It shows that contrary to the commonly held opinion that the Internet decreases use of the public library, Internet users report a significantly higher use of the local public library than non-Internet users (61 percent vs. 28 percent). Another interesting trend is that young adults appear to use the public library more than other adults. Perhaps technology is actually bringing new users to the library.

IMLS will soon be awarding a grant, in partnership with the Gates Foundation, to learn more about the impact of access to free computers in the public library on individuals and communities. And because so often library and museum going is a family experience, the Institute has awarded a grant to the Frist Center for the Visual Arts in Nashville partnering with the High Museum of Art and the J.B. Speed Museum of Art to explore family learning in art museums. This project includes a large-scale study of 2,100 family visitors and a longitudinal ethnographic study of 18 families.

Model Projects

Technology is having a tremendous impact on the way libraries and museums are delivering their services. IMLS-supported projects help people use digital technologies to access and share libraries and museum collections in new ways.

- A project at Oregon's Portland State University is creating a tool that can be used by either Internet or telephone to help adults with basic literacy skill needs to connect to local community based-resources that provide needed training, services and information.
- A project at Rutgers University in New Jersey is creating open access software that can help everyone from the weekend genealogist, to the doctoral student, to the small business entrepreneur, capture, manage and find the digital information they need from bibliographies to historical artifacts and works of art, as well as information about health care, personal and business financial management, and government services.
- In Maryland's Allegany County Library System, students can "Tune into Reading" and use digital audio and visual materials to enhance study of their chosen books.
- The Kentucky Folk Art Center museum is working with its school district so that sixth to ninth graders can use digital museum exhibits that were created to support the curriculum they are studying with out leaving the classroom.
- The Center for New Media at George Mason University in Virginia is creating "The Object of History," a replicable, web-based, educational resource for students and teachers that brings the treasures of history museums into the classroom.

National Initiatives

- **Focus on Youth:** IMLS launched Museums and Libraries Engaging America's Youth in response to First Lady Laura Bush's White House Conference on Helping America's Youth in September 2005. This study is the first that links museums and libraries youth programs with the 'gold standard' [National Research Council] framework for positive youth development. The study, which included the input of a high level steering committee, focused specifically on youth ages 9 – 19 and found that successful library and museum programs have a strong correlation to the best practice in positive youth development. The study highlights libraries and museums that are successful in involving youth in program design, building meaningful connections with participants' families and communities and including a work or service-learning component in their programs. Libraries and museums are ideally situated to serve youth in their communities; they bring rich content, experienced and knowledgeable staff, high quality learning environments, and access to technology. Moreover, these institutions are vital bridges between families, parents, caregivers and the schools.

IMLS is publishing the full research report on its web site in November 2007. We are also publishing a handbook, *Nine to Nineteen: Working with Youth in Libraries and Museums*, with practical advice based upon the research findings that will help libraries and museums incorporate the practices of positive youth development in their programs. In addition we will issue a policy brief that will raise awareness of decision makers about the role of libraries and museums in engaging America's youth. We have participated in two national meetings to share what we've learned in this study

and are planning broad dissemination of products. We will encourage grant applicants to use these materials in developing programs and crafting applications, and we will ask peer reviewers to consider these findings in their evaluation of applications that include a youth component.

- **Focus on Science Literacy:** The need to improve science literacy in the United States is well documented. Informal learning institutions independently and in partnership with schools, play an important role in this area. IMLS is partnering with the National Science Foundation and the Burroughs Wellcome Fund to support a practitioner's guide to *Learning Science in Informal Environments*, a publication produced by the National Academies Board on Science Education that will make accessible to museum and library professionals in all types of institutions the most recent research on effective out-of-school learning strategies. And, in December 2006, IMLS joined a number of other agencies, under the auspices of the Council on Environmental Quality, in the Executive Office of the President, in sponsoring the Coastal America Partnership's Second National Student Summit on Oceans and Coasts. Students, teachers, and museum educators (150 in all) from the aquariums and museums throughout the nation came to Washington to present action plans to Washington lawmakers for their own communities.

Goal Three: Building Professional Capacity

The centerpiece of IMLS's library education, training and recruitment efforts is the Laura Bush 21st Century Librarians program. Since its inception in 2003, it has funded 2,913 master's degree students, 178 doctoral students, 1,166 pre-professional students, and 5,629 continuing education students. The funding has enabled libraries to upgrade the skills of current staff who need to adapt to the deployment of digital technologies, and more particularly it has enabled graduate schools of library and information science (LIS) to reform their curricula to ensure that graduates have the skills needed in the workplace (including digital archiving and preservation, as well as faculty positions in LIS programs). A 2006 research study showed increased offerings on digital library topics in LIS programs [www.dlib.org/dlib/november06/pomerantz/11pomerantz.html], with over half offering at least one course with a "digital" title, and several offering strong digital tracks. Workshops on digital library education, supported through IMLS project grants and held in conjunction with the Joint Conference on Digital Libraries sponsored by the Association of Computer Machinery and the Institute of Electrical and Electronics Engineers (IEEE), have been well attended. Recent surveys have shown that LIS programs in the United States have far surpassed computer science programs in developing curricula in digital libraries, data curation and digital preservation.

Model Programs

- A project at the University of North Carolina at Chapel Hill's School of Information and Library Science, in cooperation with the National Archives and Records Administration, to develop a graduate-level curriculum in digital preservation.

- A project at the University of Illinois at Urbana-Champaign Graduate School of Library and Information Science to establish educational collaborations with premier science data centers across the country to create a new concentration in data curation.
- A project at the University of Arizona School of Information Resources and Library Science, in collaboration with the Arizona State Library, Archives and Public Records, is teaching digital information management and preservation in a post-baccalaureate certificate program.

In addition, the Indiana University School of Library and Information Science is leading a collaborative project in coordination with other LIS programs to develop recommendations for core competencies in digital information management.

IMLS has also created an Early Careers Development program, modeled on a similar program at the National Science Foundation. This program makes research awards to tenure-track, non-tenured faculty in order to increase their tenure prospects. Twenty-four proposals were received in 2007, and two awards were made in this highly competitive program.

IMLS hosted a meeting of several deans of graduate LIS programs in August 2007. Participants reports increases in enrollment, decline in the average age of students, and increasing interest in archives and technology. Preliminary findings of a research study on the future needs for librarians, funded by IMLS in 2004, indicate that the demand for librarians will continue to increase over the next decade. While the current aging professional workforce has delayed retirement in many cases, many librarians will inevitably leave the workforce in the next decade. Projections are that existing positions will not be eliminated and new positions will continue to be created. The study will be completed in 2008.

Again in this area we see localized efforts funded by the Grants to States Libraries that demonstrate success in building professional capacity. The Delaware State Library's Library Associate Training Institute (LATI) that has resulted in a groundswell of purposeful learning among Delaware's pre-professional library staff. Of the 84 individuals who have completed a LATI program, 15 percent have already moved to pursue a Masters in Library and Information Science.

Beyond the investment of federal dollars, the expertise of IMLS staff and grantees is used by others in the development of programs that are not federally funded. Each of the past two years the Chief Officers of State Library Agencies (COSLA), consisting of the State Librarians from all 50 states, funded and produced an executive leadership institute, with input from IMLS staff in the planning and presentation of the program. The partnership and relationships that exist between IMLS and state library agencies, individually and as a group through COSLA, is the one common bond that exists among the diversified programs found in the fifty state library agencies.

IMLS leadership and staff also appear at numerous regional, national and international forums disseminating and promoting the lessons learned and models of best practice developed

through the United States' investment in building the leadership and professional capacity of our cultural heritage institutions.

Many of the activities associated with the Connecting to Collections initiative support building the knowledge and skills of the museum and library workforce, including the Connecting to Collections Bookshelf, the 200 delegates from small and mid-sized institutions who came via 'scholarship' to the National Summit, and the plans to focus the National Tour forums on this audience. The Bookshelf, with an accessible users guide prepared by experts and available online, will be a lasting resource for professionals in at least 2,000 institutions.

In addition, museum discretionary grants in all categories—including Museums for America, Conservation Project Support, Native American Native Hawaiian Museum Services grants, and National Leadership Grants—fund different aspects of staff development and training. A grant to Arizona's Havasupai Tribe, for example, will support a partnership between the tribe and the Museum of Northern Arizona to build tribal staff capacity to improve their fledgling museum.

Within the African American History and Culture Museum Grants and the 21st Century Museum Professional Grant programs, the focus is entirely on supporting the professional development of the paid and unpaid museum workforce. The HELP project (Hands-on Experiential Learning Project), is one very successful example. This pilot project was designed to build capacity of 18 small, rural museums in three regions of Texas. It demonstrated solid "proof of concept" as a replicable model. Among its results: the HELP museums increased the quality and number of their use of exhibit design tools by 31 percent; HELP museums secured a 38 percent increase in their volunteer workforce; they increased visitorship by 11 percent, and increased their annual operating budgets by 31 percent.

In 2007, ten 21st Century Museum Professional awards will reach at least 1,500 museum professionals and deal with a wide range of topics, including museum ethics, art education for the blind, creating "healthy" museums that contribute to community health and wellness, and governance training for trustees of small, rural museums. In FY 2007, the agency collaborated with the Smithsonian Museum of African American History and Culture to convene the first recipients of the IMLS African American History and Culture Museum grants (thus creating an important peer-to-peer network for these often-isolated, frequently understaffed museums), and made a second round of awards in this program. These projects will support training statewide coordinators to provide preservation and education training to personnel in 14 African American museum sites in Iowa; targeted internship practicum programs to attract young African Americans to museum practice; and training in exhibits, archival management, human resource development, and technology in several institutions—with ten awards impacting approximately 250 individuals.

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

The President's Management Agenda

During the past two 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 Management of Human Capital
- Competitive Sourcing
- Expanded Electronic Government
- 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 put 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.

During this year, the agency also implemented a series of efforts to strengthen its ability to measure results, including the establishment of an intra-agency task force to examine government-wide updating requirements, practices of other agencies, and the Institute's current policies. The task force recommended improvements to the Institute's evaluation, reporting and dissemination practices. This resulted in developing revised reporting forms which were approved by OMB in July, and strengthening guidance for grantees in grant application and award notification materials.

Strategic Management of Human Capital

Human capital is a valuable asset that needs to be managed strategically. During the past couple of years, the agency has evaluated and reorganized its staff in order to realign programs and operations to more effectively carry out the agency's core mission of maximizing the nation's investment in museum and library services.

In addition to appointing a Chief of Staff, responsible for managing the agency's leadership workflow to ensure performance and accountability, a Chief Financial Officer has oversight of the agency's day-to-day financial management and accounting and provides guidance on the financial aspects of recruitment, retention, and succession planning, and a Chief Information Officer has oversight over the agency's information technology systems. Along with the agency's Deputy Directors and General Counsel, these individuals represent the agency's senior executive team.

This year, the Director appointed a new Human Resources Director to lead its Human Capital Program. With considerable experience in both the public and private sectors, the Director has worked to maximize the agency's ability to attract and maintain an experienced workforce and manage the agency's personnel activities. The Director relies on a combination of in-house staff and an interagency agreement with the Department of Interior for classification, staffing, and employee benefit services, and an interagency agreement with the National Finance Center of the U.S. Department of Agriculture for payroll processing and support. In addition, the agency works with private contractors to provide technical support as necessary to accomplish the agency's work.

During this fiscal year, the agency has emphasized employee training and engagement. Training on personnel matters focused on 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.

In addition, a "Learning Organization" team from throughout the agency works together to develop colloquia and other staff development activities that address employee needs and advance professional practice.

IMLS continually works to sustain a high-performing workforce that understands the special roles and functions of federal service and that carries out the agency's work with efficiency, integrity, and accountability.

Competitive Sourcing

During Fiscal Year 2007, IMLS engaged in a comprehensive review of its procurement policies and procedures, and redesigned its procurement program. The agency hired an experienced Contracting Officer to provide day-to-day supervision of the agency's procurement office and to provide guidance on the procurement aspects of the agency's operations.

Competitive sourcing is a process that ensures that the government acquires services at the best value for the taxpayer, regardless of whether the service provider is a public entity (agency or

other agency staff) or private entity (contractor staff). IMLS recognizes that competition promotes innovation, efficiency, and greater mission effectiveness. The agency evaluates, on an ongoing basis, its core competencies and decides where to build internal capacity and when to contract for services from the private sector.

Some agency operations require a combination of both. For example, the agency's information technology infrastructure is managed by a small internal staff that is responsible for policy development and general system oversight with contractors who help develop and operate on a day-to-day basis the agency's IT systems.

During 2007, the agency contracted with the Enterprise Services Center of the Federal Aviation Administration to provide IMLS with an Office of Management and Budget (OMB)/Office of Federal Financial Management (OFFM)-compliant Delphi financial management system. The Institute is continually searching for opportunities to increase efficiencies and reduce costs by leveraging other governmental Centers of Excellence in areas such as payroll, e-travel, and grants.

Expanded Electronic Government

IMLS continues to expand its electronic government capabilities consistent with the goals of the President's Management Agenda 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 Federal 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 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 (funding) 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.

- **Pre-Award:** In FY 2007, synopses and application packages for all of IMLS' 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 three of the IMLS grant programs and optional for the other programs. A total of 828 applications were submitted via Grants.gov. In FY 2008, IMLS will require that all applications be submitted via Grants.gov.
- **Grants Management Line of Business:** IMLS is coordinating its internal operations with the evolution of the "Grants Management Line of Business." The ultimate goal of these activities is to further streamline the grant application, grant award, and post-award-reporting processes.

- **Performance Reports:** IMLS is in the final phase of refining its Web-based annual reporting system for all State Library Administrative Agencies to provide readily-accessible information about Grants to States for library services. In FY 2007, IMLS received Office of Management and Budget clearance for new interim and final progress reports for competitive grants, including a form that provides standardized quantitative information about the results of its grants. A Web-based system for filing grantee performance reports will be launched on-line in the second quarter of FY 2008.
- **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 recently established a RSS feed.
- **Information Technology:** With the hiring of a full-time Chief Information Officer, during FY 2007, the agency's information technology operations have undergone a complete reorganization and have been refocused to support the agency's expanded functions, including data collection. With this foundation, over the next year the office will focus on enhancing network and systems security; implementing new policies and procedures to strengthen existing controls to access and use of IT resources; enhancing the ability of the agency's executive leadership to address long-term investments in IT systems; and incorporating an information technology/disaster-recovery/continuity of operations plan into the agency's overall agency continuity of operations program.
- **Consolidation of Library Statistics and Policy into IMLS:** During the past fiscal year the Institute has been preparing to carry out the functions of the National Commission on Libraries and Information Science and to administer two major library statistics programs managed by the U.S. Department of Education which will be consolidated into the Institute in FY 2008. In this regard the agency has been working closely with the other two federal entities along with the U.S. Bureau of Census to ensure a seamless transition of the statistical

programs. In addition the agency established an organization structure that will allow it to successfully implement the consolidation of library programs. The agency is updating its strategic plan to set objectives and targets in these areas.

Improved Financial Performance

Last year, IMLS initiated a new relationship with the FAA's Enterprise Service Center for accounting services. The Enterprise Service Center was recently designated a "Center of Excellence" by the Office of Management and Budget. IMLS is the first agency to receive comprehensive accounting services from the Center – and has been pleased to work with ESC in establishing an effective workflow. The partnership with the ESC has been enormously beneficial. It affords IMLS access to timely reporting and accounting services, and with 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.

In FY 2008 each agency office will have its own budget to manage. This will foster additional accountability and financial restraint. A budget analyst has been hired to assist the CFO and office directors in managing their budget.

The Institute also plans in FY 2008 to contract with one of the three GSA-approved travel management centers to eliminate its present manual travel management process. This is expected to result in the saving of staff time and processing time.

The Institute's procurement process will also be enhanced to track the initial receipt and final disposition of purchase requests. This will also simplify the required procurement reporting requirements.

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 President's Management Agenda.

Last year, in furtherance of the PMA, the Institute engaged in a high-level effort to strengthen its capacity to carry out its federal financial management responsibilities. In addition to appointing a Chief Financial Officer to provide in-house financial expertise, IMLS initiated a new interagency agreement with the FAA's Enterprise Service Center for accounting services. We have worked together with ESC to establish efficient and effective workflows; and, last November, the Institute's auditor rendered an unqualified opinion on the agency's FY 2006 financial statements, identifying no material weaknesses in the agency's financial controls. The auditor noted, however, that the agency did not have a comprehensive set of updated and permanent procurement procedures in place. The agency concurred with this observation and, in April 2007, adopted a new agency-wide directive setting out the agency's policies and procedures for the acquisition of supplies and services. As noted above, the agency also recently appointed a new officer to strengthen its contracting program.

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 2007 financial statements. Once again, the audit has identified no material weaknesses in the agency's internal controls.

The auditor has recommended that the agency continue to improve its information technology systems to comply with Federal information systems requirements. As the audit report reflects, a reevaluation of systems controls has become more critical in light of the Institute's recent establishment of its own network, independent from that of its previous service provider, the National Endowment for the Humanities. IMLS concurs with this recommendation and has hired an experienced Chief Information Officer who has engaged in a comprehensive review of the agency's information systems controls and is realigning the agency's policies and procedures to fully comply with Federal requirements and the mission of the Institute. This is an agency priority and IMLS is putting significant resources into strengthening this area.

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 2007, the agency benefited from several opportunities to review its internal controls and make needed improvements. Leon Snead, 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 with respect to the information technology systems, as discussed above. The agency's Chief Information Officer is currently realigning and enhancing the agency's policies and procedures in this area.

A second assessment of the agency's internal controls occurred in connection with IMLS's review of its operations and procedures to identify possible deficiencies in management controls. A Senior Assessment Team, chaired by the Senior 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.

In addition, 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.

Numerous actions were taken with respect to the review and follow-up, including the development of enhanced financial and personnel processes. Agency managers work closely with the Chief Financial Officer in developing and monitoring their program expenditures. The review also identified areas that require additional focus in the coming fiscal year, including further enhancement of IMLS's information technology infrastructure. The agency previously contracted for IT services with the National Endowment for the Humanities and complied with NEH's protocols and procedures. As discussed above, 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 2007, IMLS appointed a Chief Information Officer, and the agency continues 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 2007 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, 2007 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

In addition, the Institute conducted its 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 its internal control over financial reporting as of September 30, 2007 was operating effectively, and no material weaknesses were found in the design or operation of the internal control over financial reporting.

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

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 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.

II. Performance and Results

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.

Strategic Plan

This Strategic Plan shows how the Institute can invest valuable federal resources to increase the capacity of libraries and museums to provide the highest quality service to the American people.

From Plan to Action

The Strategic Plan guides the Institute's helps to ensure 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 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 non-profit agencies, primarily libraries, museums, universities, and service organizations to meet the agency's mission and the program purpose.

Grant 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 the agency's grant-making function. The success of grant programs is due largely to the contributions of 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.

Performance Details

The Institute builds the capacity of museums and libraries to serve the public in four strategic ways:

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

Goal One: Sustaining Heritage, Culture, and Knowledge

Our nation's museums and libraries serve as stewards of our cultural and intellectual heritage. Their collections illustrate, interpret, and embody the great events, ideas, and individuals that contribute to America's history and culture. These irreplaceable resources help us understand, experience, explore, discover, and make sense of the world. Through their collections and the services they build around them, museums and libraries tell our nation's story and ensure that knowledge is passed on to future generations.

The collections in libraries and museums connect people to the full spectrum of human experience, culture, science, history and art. The Institute helps libraries and museums to preserve and manage collections of art, books, other cultural artifacts, animals, plants, and digital resources so that future generations will have a tangible link with their heritage.

Unfortunately, collections are highly vulnerable to loss due to deterioration, theft, and natural and manmade disasters. Virtual resources are susceptible not only to physical destruction, but to loss through technological change.

The Institute helped fund Heritage Preservation's *A Public Trust at Risk: The Heritage Health Index Report*, the first study to document the preservation needs of collections in museums, libraries, and archives. It shows that roughly 190 million objects held by archives, historical societies, libraries, museums, and scientific organizations are in need of conservation treatment; that 65 percent of collecting institutions have collections damaged by storage in environments that expedite deterioration; that 80 percent of institutions have no current plan to protect collections in the face of emergency or calamity; and that 40 percent of collecting institutions allocate no funds in their annual budgets for preservation or conservation.

Objective 1: Strengthen personnel capacity to manage conservation and preservation efforts in our nation's libraries and museums.

Strategies

- Expand the availability, efficiency, and effectiveness of strategies and choices for safeguarding collections.
- Build personnel skills for digital asset management, conservation, and preservation.
- Strengthen personnel skills in small to mid-sized institutions for collections management, preservation and conservation planning, and emergency preparedness at the institution level.

Objective 2: Address high-priority needs identified by the Heritage Health Index.

Strategies

- Enable museums, libraries, and archives to carry out collections-wide preservation and conservation planning, to treat identified high-priority problems, and to serve as national models and sources of information.

- Enable museums, libraries, and archives to plan for and implement risk reduction, emergency response, and recovery of collections.
- Support the development and creation of statewide disaster and preservation plans.

Objective 3: Galvanize attention and promote public-private partnerships to preserve the nation’s collections.

Strategies

- Convene national and regional summits to galvanize awareness of the condition of the nation’s collections and the implications of their loss, and to develop plans to address the problem locally and nationally.
- Encourage and form partnerships at the federal, state, and local levels to address conservation and preservation needs.
- Build a program of public awareness activities.

See Table 1 for more information.

Goal Two: Enhancing Learning and Innovation

Learning is more important than ever for success in today’s global economy. It includes in- and out-of-school learning; learning at all ages; and, in addition to basic mathematics, reading, and science, a new set of twenty-first-century skills that include creative problem solving, ability to work in teams, information literacy, and communication skills in multiple formats. Libraries and museums not only contribute to these necessities, they play an important role in efforts to build strong communities.

Over the past twenty years an explosion of research has shown how people learn, from infancy to old age. We know that children are never too young to learn and we know that lifelong learning extends the duration and quality of life. We also know that a thriving competitive economy depends upon innovation and the opportunity to learn effectively not only in the classroom, but on the job and throughout one’s lifetime.

Museums and libraries are core community assets essential to larger efforts to support the development of families, individuals, and communities. They help our communities meet some of their greatest challenges, providing powerful places for civic engagement, contributing to economic development, building workforce participation, improving early literacy and school readiness, helping teens prepare for school and for life, and addressing a wide range of issues from helping our citizens keep current on health and science information to providing new immigrants resources they need to succeed in American society.

Objective 1: Increase the excellence, availability, and use of museum and library programs and services for learning.

Strategies

- Strengthen local programming and services and widen the adoption of effective practices to address identified national issues.

- Strengthen the ability of libraries and museums to increase their own knowledge and improve programs, and support local replication and adaptation of models that evaluation shows to be effective.
- Disseminate data on effective management and practice to strengthen learning through museum and library services.

Objective 2: Increase the number and variety of partnerships among museums, libraries, and other community entities.

Strategies

- Support collaborations to extend the impact of libraries and museums in meeting their communities' needs.
- Create new partnerships with federal agencies and non-governmental organizations to maximize federal support and serve as a model for good practice in collaboration.
- Support collaborations at the state level.

Objective 3: Increase the number of museums and libraries that use contemporary technology tools to deliver programs and services.

Strategies

- Help library and museum staff to adopt new technologies, particularly for improving management, operations, and services in small to mid-sized museums.
- Support research and demonstration to develop new tools and services to increase online access to collections.
- Develop models to allow seamless digital searching across library and museum collections.

Objective 4: Strengthen technology competencies across and within all community segments.

Strategies

- Support research and demonstration to expand tools and services that address contemporary learning needs.
- Develop a digital readiness assessment program to help small to mid-sized libraries and museums establish or strengthen digital collection programs.
- Strengthen knowledge for effective management of Grants to State Library Agencies.

See Table 2 for more information.

Goal Three: Building Professional Capacity

Training a twenty-first century library and museum workforce is a top priority for IMLS. Both the library and museum sectors face impending retirements. In addition, the rapidly changing environment of the knowledge society, the possibilities provided by new technologies, the increasing diversity of the population, and the need to demonstrate public

value and accountability require an expanding portfolio of skills for library and museum professionals at every level.

Objective 1: Strengthen skills and knowledge of museum and library personnel for management, program design, partnership, planning, and leadership.

Strategies

- Strengthen skills of existing library and museum personnel at all levels.
- Expand the leadership pool of library and museum personnel.
- Increase collaboration and build collaboration skills.
- Develop educational programs to meet the specific needs of Native American, Native Hawaiian, and African-American culture through eligible museums, libraries, and cultural centers.

Objective 2: Increase the number of people who undertake formal education and internships in libraries and museums.

Strategies

- Support recruitment and education at the library and information science master's and doctoral levels.
- Support the recruitment and professional development of museum personnel.
- Support innovative learning programs such as internships and exchanges to increase the availability of skilled museum and library staff.

Objective 3: Increase the diversity of staff in the library and museum fields.

Strategies

- Partner with national museums, federal agencies, and national professional organizations to support recruitment and professional development efforts to increase diversity in museum and library employment.
- Build leadership and skills necessary to address the current and future needs of museums and libraries to reflect and serve the increasing diversity of the nation.
- Support historically black colleges and universities to develop knowledge and skills to preserve and share African American history and culture through internships.

See Table 3 for more information.

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

As the Institute accepts increasing responsibilities and as expectations grow for federal agencies to demonstrate accountability, it must continue to strive for excellence in management, operations and service. IMLS will constantly work to meet the standards set by the President's Management Agenda, the needs of museums and libraries and their users, and the expectations that accompany its ever-expanding role.

Objective 1: Achieve the highest level of excellence in federal management, operations, and service.

Strategies

- Continue to build IMLS staff expertise and provide excellent service to the museum, library, and related communities.
- Make full use of the knowledge and expertise of the members of the National Museum and Library Services Board.
- Maintain and improve the Institute’s peer review process for competitive grant programs.
- Maintain and improve the Institute’s oversight of Grants to State Library Agencies, through increased online assistance, site visits, and conferences.
- Streamline application and award management through transition to the Grants Management Line of Business; develop human capital to maximize use of these systems and to assist applicants and grantees in their use.
- Continue to improve information technology operations.
- Expand resources and technical assistance that support high-quality planning and evaluation for grantee organizations.
- Evaluate IMLS programs on a regular basis; apply findings to program improvements, and share models to improve practice.

Objective 2: Become the key source of information for and about museum and library service to support strong policy decision making at all levels.

Strategies

- Assess the effectiveness of programs the statutory mandate set forth in the Museum and Library Services Act.
- Continue the consolidation of information policy and library statistics into IMLS.
- Explore desirability, feasibility, and structures needed for a museum statistics program.
- Gather, analyze, and broadly disseminate data about key museum and library needs, trends, and developments.
- Disseminate models of best practice and analysis of library and museum services.
- Develop resources to strengthen museum and library practice and project management.

See Table 4 for more information.

Table 1: Sustaining Cultural Heritage: FY 07 Targets

Target	Met	Notes
IMLS will develop a “conservation bookshelf” to support comprehensive care of museum and library collections, through a consultative process with conservation professionals.	YES	In FY 07, IMLS, with Heritage Preservation, Inc., conducted a rigorous process through which 70 experts in conservation and preservation helped to select key and current texts and resources for the conservation and preservation of the collections in our nation’s museums and libraries. Subsequently, the agency issued an RFP and signed a cooperative agreement with the American Association for State and Local History for managing the promotion and dissemination of the Connecting to Collections bookshelf. Although the first deadline is not until November 15, more than 1,100 institutions had applied for the bookshelf by October 31.
IMLS will host a national conservation summit for museum and library professionals from small and mid-sized institutions.	YES	The Summit was held at the Smithsonian American Art Museum on June 27-28, 2007, with the keynote address by the Archivist of the United States, Dr. Allen Weinstein and participation by the chairs of the other Federal cultural agencies. More than 340 people attended, with at least four delegates (two library professionals and two museum professionals) from all 50 states, the District of Columbia, and Puerto Rico.
IMLS will plan for the regional conservation road shows, which will occur in FY 08 and FY 09.	YES	Planning is well along for four national tour forums, each responding to the findings and recommendations of the Heritage Health Index, and exploring the fundamentals as well as important additional themes. Atlanta: Preserving America’s Diverse Cultural Heritage, January 2008, and hosted by the High Museum of Art; Denver: Collaboration in the Digital Age, June 2008, and co-hosted by the Colorado Historical Society and the Denver Public Library; San Diego: Issues in the Care of Living Collections, January 2009, hosted by the San Diego Zoo; and Buffalo: Training in Collections Care, June 2009, and hosted by the Art Conservation Department at Buffalo State College.

IMLS will host the 2007 WebWise Conference, which will focus on preserving digital assets in “Stewardship in the Digital Age,” and will invite 400 participants from libraries and museums nationwide.

YES

Registration for 2007 WebWise conference on “Stewardship in the Digital Age: Managing Museum and Library Collections for Preservation and Use” reached capacity more than one month before the conference. A summary of proceedings in including PowerPoint and downloadable audio of presentations, available on the IMLS web site at <http://www.imls.gov/news/events/webwise07.shtm>
Text of selected presentations published in the online journal *First Monday* (see <http://www.uic.edu/htbin/cgiwrap/bin/ojs/index.php/fm/issue/view/246>)

IMLS will develop and publicize guidelines for statewide planning grants to collaboratively address the needs identified in the Health Heritage Index. The grants will be awarded in FY 08 and FY 09.

YES

The grants will be awarded in FY 08 and FY 09. The first deadline was October 15, 2007, with 25 applications received from 22 states. Decisions will be announced in February 2008.

Through Conservation Project Support, Conservation Assessment Program and Museums for America, 200 museums will be able to 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 will be able to leverage additional public and private sources to match federal contribution. In addition, using Museum Professional for the 21st Century grants, 20 museum professionals will participate in conservation-related professional development activities.

YES

Sixty-five Conservation Project Support grants; 55 funded Museums for America grants dealing with Sustaining Cultural Heritage; 106 participants in the Conservation Assessment Program; 27 MAP participants focusing on collections management. Three of the ten 21st Century Museum Professionals grants focus on conservation and collections care: these three projects will conservatively impact 366 individuals in 79 institutions.

Three grants for African American History and Culture will strengthen the skills of personnel to preserve pertinent history and culture materials; approximately 50 individuals will complete relevant professional development.

YES

In FY 07 awards, an award went to the African American Historical Museum and Cultural Center of Iowa (14 sites—training statewide coordinators to provide preservation and education services to 14 sites across the state); Charles Wright Museum (managing archival materials); Museum of African American History in Boston (establish a dept of collections and exhibitions and digitize collections). In the FY 07 awards, approximately 47 individuals will be involved in collection-related activities and training.

Five grants will conduct research or develop projects to improve preservation of digital resources including digital prints, and electronic theses and dissertations. IMLS will award a contract to NISO to update Framework of Guidance for Building Good Digital Collections and create Wiki for library and museum practitioners and educators.

YES

The agency made seven implementations and one planning National Leadership Grants in this area. These included:

A project at the Rochester Institute of Technology Image Permanence Institute to research the effects of housing, handling, and the risk of flood damage on digital prints, such as prints made from digital cameras.

A project at UCLA to migrate 450,000 images of cuneiform tablets, collected from libraries and museums from around the world by a professor of Near Eastern Cultures and Languages, into the university's Digital Library Content System, thus ensuring preservation according to archival standards of this priceless resource. Many of the original cuneiforms are located in conflict areas or are at risk of theft or environmental disaster.

An award to Texas A&M University for a collaborative statewide repository for electronic theses and dissertations.

An award to the Lawrence Berkeley National Laboratory research and development of a prototype machine to recover sounds recorded on wax cylinders, one of the oldest forms of sound recording. This will enable the recovery and preservation of recordings such as Native American languages recorded in the 19th century that have not been heard for many decades because the cylinders were damaged.

An award to the National Information Standards Organization to update the IMLS Framework of Guidance for Building Good Digital Collections and maintain it as an interactive Wiki for library and museum practitioners and educators. The Framework includes principles of good practice and current standards for digital content creation, archiving and preservation.

In addition:

The Florida Center for Library Automation has used IMLS funding to develop a model statewide digital repository for institutions of higher education in Florida; it recently released DAITSS (Dark Archives in the Sunshine State), freely available software [see <http://www.fcla.edu/digitalArchive/pubs.htm>]

The Collaborative Digitization Program has used IMLS funding to develop a statewide repository for audio resources, including streaming services, archiving and storage for institutions lacking capacity to manage their own resources [see <http://www.cdphheritage.org/digital/audio/resources.cfm>]

IMLS will award a grant to build a Web-based template and planning tool for disaster planning. To assist the development and encourage eventual use of the tool, IMLS will announce the project to the states, form an advisory committee, and draft a model plan.

YES

IMLS supported the development of dPlan, an online disaster planning tool for cultural heritage institutions by the Northeast Document Conservation Center (NEDCC) [see <http://www.dplan.org/>]. A subsequent award to NEDCC is supporting development of a tool for collaborative statewide disaster planning by libraries, archives and museums, as one of the lessons learned from Hurricane Katrina was that even institutions that had disaster plans were unable to implement them as they were unknown to disaster officials.

Six Laura Bush 21st Century Librarian grants will address the high-priority need of ensuring the availability of qualified library personnel to meet the needs of the nation in the 21st century. One of these grants will support five fellows in a preservation Ph.D. fellowship program. Four of these grants will support 54 students in a continuing education program in digital asset management.

YES

Forty-two awards were made in the Laura Bush program in 2007 to address the need for qualified library personnel. These included five awards for doctoral programs; 20 awards for master's programs; five research awards (including two for Early Careers Development); five for programs that Build Institutional Capacity, including new courses and programs in critical areas such as leadership, research methods, and digital librarianship; six for continuing education; and one for pre-professional recruitment .

Nine grants for Native American Library Services will provide digitization training and planning for library staff. Seven Native American Enhancement Library Grants will support tribal preservation.

YES

Nine grants (including eight Basic Grants and one Enhancement Grant) were awarded in 2007 for digital training and planning or implementation projects. Six Enhancement Grants were funded to support tribal cultural preservation. In addition, a project in Hawaii will help preserve and increase access to and use of Hawaiian language resources.

IMLS will partner with non-federal organizations and other federal agencies, including FEMA, NEA, NEH, the LOC and the Smithsonian, in the Heritage Emergency National Task Force, and will work to encourage disaster preparedness and facilitate disaster response for the nation's cultural property.

YES

IMLS maintained involvement this partnership in FY 07 and worked collaboratively to continue to address the needs of the gulf coast states and other disaster areas, most recently the fire-damaged region of southern California.

IMLS will award close to \$500,000 in grants to provide assistance for museums in their recovery from the effects of Hurricane Katrina.

YES

In FY 07, the Office of Museum Services made awards of \$594,600 to museums affected by Hurricane Katrina. This was in addition to \$670,000 in financial assistance to hurricane-affected museums in FY 06. The FY 07 grants of \$350,000 to the Southeast Museums Conference and Tulane University's Amistad Research Center will benefit more than 13 institutions.

For libraries:

Southeastern Library Network (SOLINET) received an award of \$866,284 for a two-year "Staffing Gulf Coast Libraries Project" to partner with affected libraries and run temporary library facilities and provide continuing education opportunities for library staff as the affected communities rebuild and recover. This project works in synergy with a multi-year project funded by the Bill & Melinda Gates Foundation.

Table 2: Enhancing Learning and Innovation: FY 07 Targets

Targets	Met?	Notes
<p>State Library Administrative Agencies (SLAA) will report over 3000 completed projects supporting local programming and services in public libraries.</p>	<p>YES</p>	<p>SLAA's funded and completed 3,369 projects. State-wide projects accounted for a large portion of fund expenditures.</p>
<p>SLAA will submit their evaluations and IMLS will prepare an RFP to have the evaluations analyzed to determine trends and effective practice in use of Grants to States funds at the state and local levels, and will disseminate findings widely to strengthen state library programs.</p>	<p>YES</p>	<p>Evaluations were submitted on schedule and are more thorough than the previous five-year evaluations. Analysis of the evaluations will begin in the fall of 2007.</p>
<p>Over 150 Museums for America grants will reach every state and museum of all budget sizes and disciplines to strengthen museum infrastructure, programs and services and increase the number of people who use them to meet their learning needs. Over 40 of these grants will specifically help staff adopt new technologies to reach audiences and operate more efficiently.</p>	<p>YES</p>	<p>FY 07—158 grants awarded to institutions in 42 states. In its three-year history, MFA grants have been awarded to every state.</p>
<p>IMLS will convene a youth action committee including leaders in the field. In two Washington meetings, where the committee will meet with grantees selected as case studies, the committee will identify criteria for effective practices in IMLS youth grants, provide expertise</p>	<p>YES</p>	<p>To provide expert advice on the Institute's Museums and Libraries Engaging America's Youth Initiative, the youth action committee was convened in October and January. The committee was made up of leaders in libraries, museums, youth development, public service, business, and education. They continue to be involved in the project and their input will be incorporated into final publications and the agency's</p>

and commentary from the community that each represents, provide a broader national context for discussion of IMLS youth grants, and develop a strategy for dissemination of the results.

dissemination strategy.

Five National Leadership Planning Grants to libraries and five National Leadership Planning Grants to museums will support collaborative planning to extend the impact of libraries and museums by meeting their communities' needs.

YES

In this first year of offering the planning grants, IMLS has received 37 applications. The agency made ten National Leadership Grant planning awards.

IMLS will partner with six other agencies to support initiatives that connect people to information and ideas in innovative ways.

YES

IMLS is currently working on task forces, steering committees, or in formal partnerships with Coastal America (Council on Environmental Quality/NOAA); Preserve America; the Federal Preservation Institute; the Historic Preservation Learning Portal; afterschool.gov; Coming Up Taller (with NEH, PCAH, NEA), NEH (Advancing Knowledge), NEA (The Big Read), Save America's Treasures (with National Park Service, NEA, NEH, PCAH); Coordinating Council on Juvenile Justice and Delinquency Prevention; Interagency Coordinating Group for Adult Literacy; The Department of Homeland Security (Immigrant toolkit); and the National Academy of Sciences (Practitioner's Guide for Informal Science Learning).

Twelve National Leadership Grants will increase online access to collections by developing new tools or services for the field.

YES

Seven National Leadership Grants to libraries made in 2007 will develop digital tools and/or services in the Building Digital Resources category, including:

- An integrated "one-box" search tool for e-resources for law libraries [New England Law Library Consortium, Inc.].
- A repository and tools for the Early Americas Digital

Archive [Rice University and the University of Maryland], that will include materials in English and Spanish from repositories in both North America and Latin America and will expand to include international partners.

- A statewide repository for electronic theses and dissertations [Texas A&M University].
- A Western wildlife and environmental sounds archive [University of Utah].
- A statewide digital video repository and portal with tools and services [William Paterson University].

Four National Leadership Grants will expand online access to collections through an IMLS gateway (the IMLS Digital Collections and Content Registry) that will provide seamlessly searchable collections.

YES

An award to the University of Illinois at Urbana-Champaign will continue and expand the IMLS Digital Collections and Content Registry, adding new digital content and conducting research on how to make digital resources from libraries, archives and museums more accessible and useful to scholars and the public. New digital content will be drawn from National Leadership Grants [Six new digitization grants made by OLS], plus state LSTA-funded digital projects, and other sources.

Table 3: Building Professional Capacity: FY 2007 Targets

Targets	Met?	Notes
Seven Continuing Education projects in the Laura Bush 21 st Century Library Program will reach 1,439 participants.	YES	Seven awards made for Continuing Education projects including awards to Indiana University, Valley City State University (North Dakota), Southeastern Library Network, Pacific Resources for Education and Learning, American Library Association (two awards) and the New York Public Library.
Five grants for Doctoral Education projects in the Laura Bush 21 st Century Librarian Program will educate 31 students.	YES	Five awards for Doctoral Programs are preparing faculty to fill critical positions in graduate schools of library and information science, including awards to the University of Texas at Austin, Syracuse University, Drexel University, University of Illinois Urbana-Champaign, and University of Washington. Several graduate library programs have been newly accredited or are currently seeking accreditation by the American Library Association, including programs at Valdosta State University (Georgia), College of St. Catherine (Minnesota), and the University of Denver. These programs are increasing the already high demand for qualified library and information science faculty.
Nine 21 st Century Museum Professionals grants will strengthen close to 1000 museum professionals' museum management skills and knowledge, and expand the museum leadership pool.	YES	We made ten grants that will impact approximately 1,500 museum professionals.
Demand to participate in the Museum Assessment Program will remain strong with applications from 144 institutions and participation by 110.	YES	110 museums are participating in the Museum Assessment Program.

Staff of 20 institutions will gain expertise to preserve Native culture and to develop education programs through the Native American/Native Hawaiian Museum Services program.	YES	Complete
IMLS will finish planning and sign an interagency agreement with the Museum of African American History and Culture to support professional development for new staff at 20 African American museums.	YES	Complete
Five Museum Grants for African American History and Culture programs will train 30 professionals working in this content area, and will help them build the leadership and skills necessary to address the current and future needs of these institutions.	YES	We made ten awards that all focus professional development; total impact is likely to be 244 staff, volunteers, and interns.
IMLS will convene a meeting of the first grantees in the African American History and Culture program, to foster the development of the community and professional support among the staff at these eight institutions.	YES	Two meetings were convened. One meeting focused on IMLS grantees to assist in grants management and information sharing. The other included more than 50 potential applicants, prior to the deadline, to provide an on-site grants workshop.
To bring together new and established	YES	Complete

leaders in the museum and library communities, IMLS will plan its first national lecture to facilitate discussion around policy and leadership challenges through internal and external stakeholders meetings.

Table 4: Attaining Excellence in Federal Management, Operations, and Service: FY 07 Targets

Targets	Met?	Notes
An online outcomes-based evaluation course will be developed by IMLS in coordination with Indiana University-Purdue University (IUPUI) and will register 205 students, of whom 107 will be IMLS grantees.	YES	IUPUI has registered 316 students, of whom 190 are IMLS grantees
IMLS will assemble an agency-wide task force to strengthen the ability of grantees to report on results of funded projects, develop new report forms to provide assistance to grantees and yield more complete data on the impact of programs and funding.	YES	Task force developed new language for grant application and guidelines to strengthen focus on evaluation and reporting and developed new report forms to strengthen enable grantees to provide project results that will inform future library and museum practice and agency activity.
IMLS will provide technical assistance and information to over 300 potential museum applicants and potential National Leadership Grant applicants through audio conferences.	YES	Complete
IMLS will internally review the Museums for America grant reports to develop a project classification system to assist clear and efficient agency reporting, aggregate information across grants, and effectively communicate results.	YES	Complete
IMLS will fund the first-ever national survey of public use, including online use, of museums, libraries, the Internet, and all other information sources.	YES	Data collection has been completed. The study, conducted by researchers at the University of North Carolina at Chapel Hill, reveals that libraries and museums are highly trusted sources for information, whether the information is obtained online or onsite. In addition, museum web sites can help attract in-person visitors seeking additional information or experiences with original artifacts.

Related information:

IMLS funding through the National Leadership Grant program has supported development of numerous statewide collaborative digitization programs modeled on the Colorado Digitization Project (CDP) first funded by IMLS in 1999. CDP has now grown into the Collaborative Digitization Program, including several surrounding states, and has merged with the Bibliographic Center for Research (BCR), a multi-state library cooperative affiliated with OCLC, Inc. At this time, more than 40 states have formed collaborative digitization programs, many of which have received IMLS funding either through the National Leadership Grant program or through state-based LSTA funds [for a list of states see <http://www.mtsu.edu/~kmiddlet/stateportals.html>].

IMLS will reorganize and restructure Information Technology operations, including hiring an experienced Chief Information Officer and recruiting adequate skills, to establish effective operational alignment with program and operational needs of the agency and support and sustain technological requirements.

YES

The Chief Information Officer (CIO) was hired in April 2007. Information Technology (IT) investment opportunities were placed on hold until the new CIO was on-site and was able to assess the IT situation, including hiring an operations manager and a Chief Information Security Officer (CISO). The operations manager was hired in the fourth quarter of FY 07 and the CISO will be on board by the beginning of the second quarter of FY 08. Thus, significant improvements in the IT area are expected by the third quarter of FY 08.

IMLS will continue 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, including completing a certification and accreditation for two major systems, finalizing a system security plan, implementing security

YES

With a new CEO in place, over the next year the office will focus on enhancing network and systems security; implementing new policies and procedures to strengthen existing controls to access and use of IT resources; enhancing the ability of the agency's executive leadership to address long-term investments in IT systems; and incorporating an information technology/disaster-recovery/continuity of operations plan into the agency's overall agency continuity of operations program

awareness training through the Information Security System Line of Business, and correcting 50 percent of existing plan of action and milestones

IMLS will model good practice by allowing applications to be submitted to all programs through Grants.gov and requiring that applicants use Grants.gov for three programs.

YES Complete.

IMLS State Programs office will complete 18 site visits to State Library Administrative Agencies to monitor the management of the Grants to States program.

YES State Program staff completed 19 site visits, 14 more than the previous year, in order to re-establish a five-year cycle of monitoring all SLAA programs.

All state and two territorial library agencies will submit their annual grants reports via an online reporting system.

YES All 53 state and territorial libraries submitted their reports on-line and IMLS has approved all of them.

IMLS will continue to work with OMB and the Hill to complete a seamless consolidation of library statistics and information policy programs. IMLS will plan for the transition and will be involved with relevant agencies.

YES The agency is prepared for a seamless transition.

IMLS will communicate to grantees and other stakeholders through effective use of Primary Source, IMLS's electronic monthly newsletter, the IMLS Web site, print publications, and staff-written articles in professional journals. Internal and external meetings will allow IMLS to improve programs and communications through community feedback.

YES The agency has a strong presence in the library and museum communities. Information about agency activities and funding opportunities are widely disseminated through the agency web site and newsletter and are also thoroughly covered in trade publications.

IMLS staff will present grant workshops at national, regional, and state museum association meetings and convene a meeting for potential applicants to the Museum Grants for African American History and Culture program, providing guidance on writing grants for IMLS programs.

YES

IMLS staff made presentations at 20 professional meetings. The agency hosted 12 audio conference calls so that potential applicants across the country who could not meet the staff at professional meetings could learn more about grant opportunities.

IMLS will continue to improve financial operations and increase the efficiency of payments including processing 70 percent of payments to grantees within five business days after proper receipt, processing 70 percent of payments to vendors, field reviewers, and panelists within 30 days after proper receipt, and processing 70 percent of properly completed travel vouchers within five days after receipt.

YES

In FY 07 IMLS coordinated with its accounting service provider (FAA/ESC) to have grant and vendor (including field reviewers and panelists) payment requests accepted via electronic means. This improved processing time by two workdays and has resulted in over 90 percent of grant and vendor payments being issued with five business days after proper receipt. Properly completed travel vouchers have been also processed over 90 percent of the time within five business days after receipt.

IMLS will continue to work toward the goals of the PMA through maintaining an unqualified audit opinion, selecting an E-Travel vendor, evaluating staff positions for competitive sourcing possibilities, and implementing an online staffing tool.

YES

IMLS has received an unqualified audit opinion from its auditors for the comparative financial statements. The selection of an E-Travel vendor and an online staffing tool is in process. The Institute has evaluated its staff positions and has competed and awarded the receptionist, mailroom and IT programming and HelpDesk functions.

IMLS will continue to work toward fully-compliant, strategic human resources practices by creating and implementing agency-wide policies, long-range organizational planning, and implementing of HSPD-12.

YES

The Institute has interagency agreements with the Department of Interior, National Business Center and GSA for personnel and payroll support, including the HSPD-12 initiative, to achieve this target.

IMLS will evaluate and update its contracting policies and procedures and enhance the agency's capacity to maintain an efficient and effective contracting program.

YES

On April 18, 2007, IMLS issued a directive entitled *Acquisition of Supplies and Services, Processing of Interagency Agreements*, which updated permanent procedures that are in place to ensure that vendor procurements and disbursements are necessary, met Institute program goals, and were conducted in accordance with existing Federal laws and regulations. In May 2007, IMLS hired a contracting officer with over 20 years of Federal experience to manage its contracting activities.

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 2007 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, 2007.

I am pleased to report that the agency has received an unqualified, "clean", opinion for its comparative financial statements for fiscal years 2007 and 2006. The audit includes only one finding and no material weaknesses. The finding involves the need for enhanced Institute information technology (IT) system controls, in light of the agency's establishment of its own network independent of its previous IT service provider. The auditors found that the Institute has recognized this need and has taken substantial corrective action by hiring a Chief Information Officer and by reorganizing the IT function.

The Institute will aggressively pursue complete and final resolution of the audit finding. 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 2007 unqualified opinion possible. During FY 2008, I anticipate another productive year, continuing to build on the significant progress achieved in FY 2007.



Wayne C. Morlier, CPA/CGFM
Chief Financial Officer



**LEON SNEAD
& COMPANY, P.C.**

*Certified Public Accountants
& Management Consultants*

416 Hungerford Drive, Suite 400
Rockville, Maryland 20850
301-738-8190
fax: 301-738-8210
leonsnead.companypc@erols.com

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, 2007 and 2006, 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 audit was to express an opinion on the fair presentation of those financial statements. In connection with our audit, we also considered IMLS' internal control over financial reporting and tested 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, 2007 and 2006 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 one instance of noncompliance that is 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*.

The following sections discuss in more detail our opinion on the IMLS financial statements, our consideration of IMLS' internal control over financial reporting, our tests of 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, 2007 and 2006, 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, 2007 and 2006, 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.

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, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered 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 IMLS' internal control. Accordingly, we do not express an opinion on the effectiveness of 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.

A summary of the status of the prior year finding is included as Attachment 1.

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 one instance of noncompliance with laws and regulations, discussed in the following paragraphs that is required to be reported under *Government Auditing Standards* and OMB Bulletin 07-04.

1. IMLS systems controls need continued improvement to meet Federal information systems requirements. The agency's Plan of Action & Milestones (POA&M) report lists a number of weaknesses still to be resolved, some of which have been outstanding since fiscal year 2004. Among the weaknesses that IMLS continues to track on the POA&M are the absence of a system security plan, the lack of certification and accreditation of the agency's mission-critical systems, and absence of a continuity of operations plan. As a result of these weaknesses, IMLS systems do not fully comply with Federal information systems requirements.

In May 2007, the IMLS hired a Chief Information Officer (CIO). The CIO has cleared a number of the outstanding issues on the POA&M and developed specific plans for addressing the remaining issues. He has designed an organization structure to ensure that security, operations, applications support, planning and reporting responsibilities are assigned to specific individuals. He is currently interviewing candidates to fill the open positions, specifically for a security officer and operations manager. These individuals will be responsible for resolving many of the systems control weaknesses that remain outstanding.

Title III of the E-Government Act, entitled the Federal Information Security Management Act (FISMA), emphasizes the need for each federal agency to develop, document, and implement an enterprise-wide program to provide information security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source. The National Institute of Standards and Technology (NIST) publishes requirements that are applicable to Federal agencies. Federal Information Processing Standards Publication No. 199 (FIPS Pub 199), *Standards for Security Categorization of Federal Information and Information Systems*, sets forth standards for categorizing information and information systems and FIPS Pub 200, *Minimum Security Requirements for Federal Information and Information Systems*, specifies minimum security requirements for federal information and information systems in seventeen security-related areas. Federal agencies must meet the minimum security

requirements as defined in FIPS Pub 200, based on the FIPS Pub 199 security categorization assigned to each system, through the use of the security controls specified in NIST Special Publication 800-53, *Recommended Security Controls for Federal Information Systems*, as amended.

Until 2005, IMLS was located in the same building with and procured systems services from the National Endowment for the Humanities (NEH). During 2005, IMLS moved to a different location, and established its own network independent of NEH. The IMLS has also undergone an organizational restructuring. Under the previous structure, the information technology area was also responsible for research, which may have created conflicting demands for the resources available to address systems controls. The research function has now been assigned outside of the office of the CIO. As the agency changed its location, systems infrastructure, and organizational structure, the need to re-evaluate systems controls has become more critical.

Recommendation

As noted above, IMLS has recognized the need for better systems controls and has taken substantial corrective actions to establish the organizational structure to support such controls, such as hiring a professional CIO and reorganizing the information technology function. We recommend that IMLS continue to implement the CIO's plans for improving information systems controls.

Management Response

The IMLS agreed with the finding and concurred with the recommendation. Based on the current plan for corrective action, the IMLS believes over 80% of all outstanding POA&Ms will be resolved by the end of calendar year 2007. With the hiring of a full-time IT Security Officer, and a full-time IT Operations Manager, by the end of this fiscal year, the IMLS will be positioned to assess all corrective actions and implement adequate security controls throughout the IMLS IT infrastructure. Policies and procedures will be established to provide the necessary guidance to all users for appropriate use and protections of agency IT assets and data.

As controls, policies, and procedures are implemented, the IMLS OCIO will update the POA&Ms tracking report to reflect the status of all open items, and where necessary, identify and track any new corrective items IMLS may identify internally.

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.

Auditor Responsibilities

Our responsibility is to express an opinion on the fiscal year 2007 and 2006 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*. 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 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 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, with respect to internal control related to performance measures determined to be key and reported in Management's Discussion and Analysis, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions and determined whether they had been placed in operation. 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 and grant agreements, 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. 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.

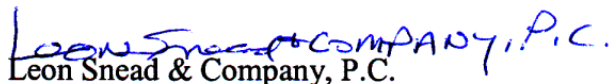
AGENCY COMMENTS AND AUDITOR EVALUATION

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, is included in this report.

The IMLS' written response to the instance of noncompliance 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 9, 2007

ATTACHMENT I

Status of Prior Year Findings

<u>Description</u>	<u>Status as of September 30, 2007</u>
1. The Institute did not have updated, permanent procedures in place to ensure that vendor procurements and disbursements were necessary, met Institute program goals and were conducted in accordance with existing laws and regulations.	1. On April 18, 2007, IMLS issued a directive entitled <i>Acquisition of Supplies and Services, Processing of Interagency Agreements</i> , which fully resolved the prior year finding.



DIRECTOR
INSTITUTE OF MUSEUM AND LIBRARY SERVICES
WASHINGTON, DC 20036-5802

November 16, 2007

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 2007 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 control identified no material weaknesses 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.

As our agency has grown and taken on additional statutory responsibilities, the need for in-house expertise in the area of Information Technology (IT) has become increasingly evident. Therefore, the agency appointed a new Chief Information Officer during FY2007 to focus efforts on strengthening its IT systems.

The auditors' report contained one recommendation; on behalf of the agency, I am pleased to respond: The auditors recommended that IMLS continue to implement the Chief Information Officer's plans for improving information systems controls. IMLS concurs with this recommendation. With the appointment of a full-time IT Security Officer, and a full-time IT Operations Manager, by the end of this fiscal year, we will be positioned to assess all corrective actions and implement adequate security controls throughout the IMLS IT infrastructure. Policies and procedures will be enhanced to provide the necessary guidance to all users for appropriate use and protections of agency IT assets and data.

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,


Anne-Imelda M. Radice

INSTITUTE OF MUSEUM AND LIBRARY SERVICES
BALANCE SHEET
As of September 30, 2007 and 2006
(in dollars)

Assets:	<u>2007</u>	<u>2006</u>
Intragovernmental :		
Fund balance with Treasury (note 2)	\$ 345,206,248	\$ 354,012,410
Investments (note 3)	-	-
Accounts Receivable	741	-
Total intragovernmental	<u>345,206,989</u>	<u>354,012,410</u>
General property, plant and equipment, net (note 4)	756,124	719,175
Other - Grant Advances (note 5)	3,173,810	2,915,653
Total assets	<u>\$ 349,136,923</u>	<u>\$ 357,647,238</u>
Liabilities:		
Intragovernmental :		
Other (note 8)	<u>\$ 1,219,941</u>	<u>\$ 80,827</u>
Total intragovernmental	1,219,941	80,827
Accounts payable	494,981	2,385,404
Federal employee and veteran benefits (note 6)	-	-
Benefits due and payable (note 6)	349,076	349,478
Other (note 8)	865,759	917,640
Other - Grant Accrual (note 8)	39,786,646	36,910,995
Total liabilities	<u>42,716,403</u>	<u>40,644,344</u>
Commitments and contingencies	-	-
Net position:		
Unexpended appropriations - other funds	303,281,234	314,403,505
Cumulative results of operations - earmarked funds (note 10)	1,426,515	36,626
Cumulative results of operations - other funds	1,712,771	2,562,763
Total net position	<u>\$ 306,420,520</u>	<u>\$ 317,002,894</u>
Total liabilities and net position	<u>\$ 349,136,923</u>	<u>\$ 357,647,238</u>

The accompanying notes are an integral part of these statements

INSTITUTE OF MUSEUM AND LIBRARY SERVICES
STATEMENT OF NET COST
For the Years Ended September 30, 2007 and 2006
(in dollars)

Program costs:	<u>2007</u>	<u>2006</u>
Gross Costs (note 11 & 12)	\$ 258,415,237	\$ 247,374,723
Less: Earned Revenue	-	1,664,850
Net Program Costs	<u>258,415,237</u>	<u>245,709,873</u>
Net cost of operations	<u>\$ 258,415,237</u>	<u>\$ 245,709,873</u>

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, 2007 and 2006
(in dollars)

	<u>2007</u>			<u>2006</u>		
	<u>Earmarked Funds</u>	<u>All Other Funds</u>	<u>Consolidated Total</u>	<u>Earmarked Funds</u>	<u>All Other Funds</u>	<u>Consolidated Total</u>
Cumulative Results Of Operations:						
Beginning Balances	\$ 36,626	\$ 2,562,763	\$ 2,599,389	\$ 22,904	\$ 1,449,864	\$ 1,472,768
Budgetary Financing Sources:						
Appropriations Used	-	257,063,232	257,063,232	-	246,439,185	246,439,185
Nonexchange Revenue	35,963	-	35,963	-	-	-
Donations of Cash and Cash Equivalents	1,370,683	-	1,370,683	21,750	-	21,750
Other Financing Sources (Non-Exchange):						
Imputed financing	-	485,256	485,256	-	375,559	375,559
Total Financing Sources	1,406,646	257,548,488	258,955,134	21,750	246,814,744	246,836,494
Net Cost of Operations	16,757	258,398,480	258,415,237	8,028	245,701,845	245,709,873
Net Change	1,389,889	(849,992)	539,897	13,722	1,112,899	1,126,621
Cumulative Results Of Operations	\$ 1,426,515	\$ 1,712,771	\$ 3,139,286	\$ 36,626	\$ 2,562,763	\$ 2,599,389
Unexpended Appropriations:						
Beginning Balance	-	314,403,505	314,403,505	-	315,688,316	315,688,316
Budgetary Financing Sources:						
Appropriations Received	-	249,700,746	249,700,746	-	249,640,000	249,640,000
Other Adjustments	-	(3,759,785)	(3,759,785)	-	(4,485,626)	(4,485,626)
Appropriations Used	-	(257,063,232)	(257,063,232)	-	(246,439,185)	(246,439,185)
Total Budgetary Financing Sources	-	(11,122,271)	(11,122,271)	-	(1,284,811)	(1,284,811)
Total Unexpended Appropriations	-	303,281,234	303,281,234	-	314,403,505	314,403,505
Net Position	\$ 1,426,515	\$ 304,994,005	\$ 306,420,520	\$ 36,626	\$ 316,966,268	\$ 317,002,894

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, 2007 and 2006
(in dollars)

	<u>2007</u>	<u>2006</u>
	<u>Budgetary</u>	<u>Budgetary</u>
Budgetary Resources:		
Unobligated balance, brought forward, October 1:	\$ 20,036,617	\$ 15,550,749
Recoveries of prior year unpaid obligations	2,578,258	2,127,223
Budget authority		
Appropriation	248,611,392	249,640,000
Spending authority from offsetting collections:		
Earned		
Collected	560,541	3,477,825
Change in receivables from Federal sources	-	(1,405,000)
Advance received	1,173,683	-
Subtotal	<u>1,734,224</u>	<u>2,072,825</u>
Permanently not available	<u>(1,263,785)</u>	<u>(4,485,627)</u>
Total Budgetary Resources	<u>\$ 271,696,706</u>	<u>\$ 264,905,170</u>
Status of Budgetary Resources:		
Obligations incurred: (note 14)		
Direct	\$ 258,143,360	\$ 243,203,703
Reimbursable	1,173,683	1,664,850
Exempt from apportionment	-	-
Subtotal	<u>259,317,043</u>	<u>244,868,553</u>
Unobligated balance:		
Apportioned	8,580,776	17,346,167
Anticipated	-	-
Exempt from apportionment	1,025,714	-
Subtotal	<u>9,606,490</u>	<u>17,346,167</u>
Unobligated balance not available	<u>2,773,173</u>	<u>2,690,450</u>
Total status of budgetary resources	<u>\$ 271,696,706</u>	<u>\$ 264,905,170</u>
Change in Obligated Balance:		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	\$ 333,975,793	\$ 332,860,921
Less: Uncollected customer payments from Federal sources, brought forward, October 1	-	(1,405,000)
Total unpaid obligated balance, net	<u>\$ 333,975,793</u>	<u>\$ 331,455,921</u>
Obligations incurred, net(+/-)	259,317,043	244,868,553
Less: Gross outlays	(257,887,994)	(241,626,458)
Less: Recoveries of prior unpaid obligations, actual	(2,578,258)	(2,127,223)
Change in uncollected customer payments from Federal sources (+/-)	-	1,405,000
Obligated balance, net, end of period		
Unpaid obligations	<u>332,826,584</u>	<u>333,975,793</u>
Total, unpaid obligated balance, net, end of period	<u>\$ 332,826,584</u>	<u>\$ 333,975,793</u>
Net Outlays:		
Gross outlays	\$ 257,887,994	\$ 241,626,458
Less: Offsetting collections	(1,734,224)	\$ (3,477,825)
Less: Distributed offsetting receipts	-	-
Net outlays	<u>\$ 256,153,770</u>	<u>\$ 238,148,633</u>

The accompanying notes are an integral part of these statements

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2007 and 2006

(in dollars)

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 122,000 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 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.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2007 and 2006

(in dollars)

C. Budgets and Budgetary Accounting

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. Basis of Accounting

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. Fund Balance with Treasury and Cash

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. Non-Entity Assets and Liabilities

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. IMLS does not have any non-entity assets.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2007 and 2006

(in dollars)

G. General Property, Plant and Equipment

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

<u>Asset Class</u>	<u>Useful Life</u>
Computer equipment & software	3 years
Office equipment	5 years
Furniture	7 years
Leasehold improvement	Lease Term

H. 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.

I. Commitments and Contingencies

There are no commitments or contingencies that require disclosure.

J. Investments

The Institute is authorized to invest gift funds in excess of its immediate needs in Treasury securities. The investment of gift funds invested during Fiscal Year 2007 was received from the Gates Foundation and is restricted for use in completion of a survey regarding the impact of computers in public libraries. In accordance with the terms and agreement with the Gates Foundation, the unused amount of the \$910,683 gift is invested in no risk, liquid, interest bearing assets.

Therefore, the unused amount of the Gates Foundation gift has been invested in market-based Treasury securities. Investments in market-based Treasury securities are classified as held to maturity and are carried at amortized cost. The amortized cost of securities is based on the purchase price adjusted for amortization of premiums and accretion of discounts using the straight-line method over the term of the securities.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2007 and 2006

(in dollars)

Note 2 Fund Balance with Treasury

	2007		
Intragovernmental:	Entity	Non-Entity	Total
Trust Fund	\$ 1,426,515	\$ —	\$ 1,426,515
Investments	—	—	—
Annual Appropriated Funds	4,895,920	—	4,895,920
No Year Appropriated Funds	338,883,813	—	338,883,813
Treasury Misc. Receipts	—	—	—
Total	<u>\$345,206,248</u>	<u>\$ —</u>	<u>\$345,206,248</u>

	2006		
Intragovernmental:	Entity	Non-Entity	Total
Trust Fund	\$ 36,626	\$ —	\$ 36,626
Annual Appropriated Funds	14,359,081	—	14,359,081
No Year Appropriated Funds	<u>339,616,703</u>	—	<u>339,616,703</u>
Total	<u>\$354,012,410</u>	<u>\$ —</u>	<u>\$354,012,410</u>

Status of Fund Balance with Treasury:	2007
Unobligated Balance	
Available	\$ 9,606,490
Unavailable – No Year / Admin	190,421
Unavailable – No Year / Program	1,741,669
Unavailable – Annual Funds	841,084
Obligated Balance Not Yet Disbursed	332,826,584
Non-Budgetary FBWT	—
Total	<u>\$ 345,206,248</u>

Status of Fund Balance with Treasury:	2006
Unobligated Balance	
Available	\$ 17,346,167
Unavailable – No Year / Admin	222,999
Unavailable – No Year / Program	864,208
Unavailable – Annual Funds	1,603,243
Obligated Balance Not Yet Disbursed	<u>333,975,793</u>
Total	<u>\$ 354,012,410</u>

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2007 and 2006

(in dollars)

Note 3 Investments

A donation was received from the Gates Foundation in the 1st qtr of FY 2007. This donation was invested with the Bureau of Public Debt during FY 2007. The unused portion of the \$910,683 gift plus earnings have been invested in no risk, liquid, interest bearing assets with the Bureau of Public Debt in accordance with the terms and conditions of the agreement with the Gates Foundation. Therefore, the unused amount of the Gates Foundation gift has been invested in market-based Treasury securities. Investments in market-based Treasury securities are classified as held to maturity and are carried at amortized cost. The amortized cost of securities is based on the purchase price and is adjusted for amortization of premiums and accretion of discounts using the straight-line method over the term of the securities. The most recent investment matured on September 27, 2007 and therefore, there was no outstanding investment as of September 30, 2007.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2007 and 2006

(in dollars)

Note 4 General Property, Plant & Equipment

Major Class	2007		
	Acquisition Value	Accumulated Amortization	Net Book Value
Leasehold Improvements	\$ 782,914	\$195,728	\$587,186
Equipment	172,160	25,832	146,328
Asset Under Capital Lease	45,219	22,609	22,610
Total PP&E	<u>\$ 1,000,293</u>	<u>\$244,169</u>	<u>\$756,124</u>

Major Class	2006		
	Acquisition Value	Accumulated Amortization	Net Book Value
Leasehold Improvements	\$782,914	\$117,437	\$665,477
Equipment	23,081	3,297	19,784
Asset Under Capital Lease	45,219	11,305	33,914
Total PP&E	<u>\$851,214</u>	<u>\$132,039</u>	<u>\$719,175</u>

The leasehold improvement 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 equipment 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 asset under capital lease 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%.

IMLS' capitalization policy is to depreciate property, plant and equipment over the estimated useful life of the asset. IMLS' capitalization threshold changed from FY 2005 in FY 2006 to be \$5,000 for individual purchases and \$50,000 for aggregate purchases with a minimum \$2,500 per item.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2007 and 2006

(in dollars)

Note 5 Other Assets

	<u>2007</u>	<u>2006</u>
Intragovernmental	\$ -	\$ -
Grant Advances	<u>3,173,810</u>	<u>2,915,653</u>
Total Other Assets	<u>\$3,173,810</u>	<u>\$2,915,653</u>

Grantees are authorized by OMB to request advances toward grant awards. IMLS policy states that advances for less than \$25,000 must be expended within ninety days, while advances in the amount of \$25,000 or more must be expended within thirty days. The amount of Other Assets represents the total amount of advances requested and paid to grantees as of September 30, 2007.

Note 6 Liabilities Not Covered by Budgetary Resources

	<u>2007</u>
Intragovernmental:	
Total intragovernmental	\$ -
Accounts Payable	-
Accrued Unfunded Leave	349,076
Misc. Receipts Payable to Treasury	<u>-</u>
Total liabilities not covered by budgetary resources	349,076
Total liabilities covered by budgetary resources	<u>42,367,327</u>
Total liabilities	<u>\$42,716,403</u>

	<u>2006</u>
Intragovernmental:	
Accounts Payable	\$ -
Other	<u>-</u>
Total intragovernmental	\$ -
Accounts payable	-
Accrued Unfunded Leave	349,478
Federal employee and veteran benefits	<u>-</u>
Total liabilities not covered by budgetary resources	349,478
Total liabilities covered by budgetary resources	<u>40,294,866</u>
Total liabilities	<u>\$40,644,344</u>

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2007 and 2006

(in dollars)

Note 7 Federal Employee and Veteran Benefits

	<u>2007</u>	<u>2006</u>
Summary Chargeback – Medical	\$ –	\$ –
Lowest Group (Liability to Benefits Paid Ratio)	–	–
Federal employee and veteran benefits	<u>\$ –</u>	<u>\$ –</u>

Note 8 Other Liabilities

	<u>2007</u>		
	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
Intragovernmental:			
Liability for Prepayments	\$ –	\$ 1,173,683	\$ 1,173,683
Employer Contrib.& PR Tax	–	46,258	46,258
Misc.Receipts Due to Treasury	–	–	–
Total Intragovernmental	<u>\$ –</u>	<u>\$ 1,219,941</u>	<u>\$ 1,219,941</u>
Public:			
Accrued Pay and Benefits	–	225,045	225,045
Capital Leases	640,714	–	640,714
Misc. Receipts Due to Treasury	–	–	–
Grant Accrual	–	39,786,646	39,786,646
Total Other Liabilities	<u>\$ 640,714</u>	<u>\$41,231,632</u>	<u>\$41,872,346</u>

	<u>2006</u>		
	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
Intragovernmental			
Employer Contrib.& PR Tax	\$ –	\$ 80,827	\$ 80,827
Public:			
Accrued Pay and Benefits	–	198,576	198,576
Capital Leases	719,064	–	719,064
Grant Accrual	–	36,910,995	36,910,995
Total Other Liabilities	<u>\$ 719,064</u>	<u>\$37,190,398</u>	<u>\$37,909,462</u>

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2007 and 2006

(in dollars)

Note 9 Leases

IMLS as Lessee

Capital Leases:

2007

Summary of Assets Under Capital Lease:

Leasehold Improvements	\$ 782,914
Accumulated Amortization	<u>195,728</u>
Net	<u>\$ 587,186</u>

Equipment – Canon	\$ 45,219
Accumulated Amortization	<u>22,609</u>
Net	<u>\$ 22,610</u>

IMLS as Lessee

Capital Leases:

2006

Summary of Assets Under Capital Lease:

Leasehold Improvements	\$ 782,914
Accumulated Amortization	<u>117,437</u>
Net	<u>\$ 665,477</u>

Equipment – Canon	\$ 45,219
Accumulated Amortization	<u>11,305</u>
Net	<u>\$ 33,914</u>

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 is under a lease to own agreement.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2007 and 2006

(in dollars)

Future Payments Due:

<u>Fiscal Year</u>	<u>Asset Category</u>	
	<u>Leasehold Improvements</u>	<u>Canon Equipment</u>
2007	\$ -	\$ -
2008	97,448	12,386
2009	97,448	12,386
2010	97,448	-
2011	97,448	-
After 5 years	<u>341,068</u>	<u>-</u>
Total Future Capital Lease Payments	730,860	24,772
Less: Imputed Interest	<u>113,734</u>	<u>1,185</u>
Net Capital Lease Liability	<u>\$ 617,126</u>	<u>\$ 23,587</u>
Lease liabilities covered by budgetary resources	\$ 617,126	\$ 23,587

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 two photocopiers and a postage meter. The lease term for the photocopiers is 60 months ending February 2008. The lease term for the postage meter is 48 months ending July 2010.

Future Payments Due:

<u>Fiscal Year</u>	<u>Asset Category</u>	
	<u>Office Space</u>	<u>Equipment</u>
2007	\$ -	\$ -
2008	2,012,332	11,533
2009	2,035,280	3,324
2010	2,058,917	2,493
2011	2,083,212	-
After 5 years	<u>7,502,277</u>	<u>-</u>
Total Future Lease Payments	<u>\$ 15,692,018</u>	<u>\$ 17,350</u>

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2007 and 2006

(in dollars)

Note 10 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 by setting up a unique 10 digit segment for the fund as 59X8080000.

Balance Sheet as of September 30	<u>2007</u>	<u>2006</u>
ASSETS		
Fund balance with Treasury	\$ 1,426,515	\$ 36,626
Investment	<u>—</u>	<u>—</u>
Total Assets	\$ 1,426,515	\$ 36,626
LIABILITIES and NET POSITION		
Cumulative Results of Operations	<u>\$ 1,426,515</u>	<u>\$ 36,626</u>
Total Liabilities and Net Position	<u>\$ 1,426,515</u>	<u>\$ 36,626</u>

**Statement of Net Cost for the
Period Ended September 30**

Program Costs	\$ 16,757	\$ 8,028
Less Resources		<u>(1,406,646)</u>
<u>(21,750)</u>		
Excess of Donations Received Over Cost Incurred	<u>\$ 1,389,889</u>	<u>\$ (13,722)</u>

**Statement of Changes in Net
Position for the Period Ended
September 30**

Net Position Beginning of Period	\$ 36,626	\$ 22,904
Change in Net Position	<u>1,389,889</u>	<u>13,722</u>
Net Position End of Period	<u>\$ 1,426,515</u>	<u>\$ 36,626</u>

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2007 and 2006

(in dollars)

Note 11 Intragovernmental Costs and Exchange Revenue

	<u>2007</u>	<u>2006</u>
Program Costs:		
Intragovernmental costs	\$ 5,305,365	\$ 5,927,377
Public costs	<u>253,109,872</u>	<u>241,447,346</u>
Total Program costs	<u>\$ 258,415,237</u>	<u>\$247,374,723</u>
Intragovernmental earned	\$ —	\$ 1,314,850
Public earned revenue	<u>—</u>	<u>350,000</u>
Total Program earned revenue	<u>\$ —</u>	<u>\$ 1,664,850</u>

Note 12 Suborganization Program Costs/Program Costs by Segment

	<u>2007</u>	<u>2006</u>
Programs:		
Library	\$ 205,987,467	\$191,195,170
Museum	39,670,662	43,242,625
Administration	<u>12,757,108</u>	<u>12,936,928</u>
Total Program Costs	\$ 258,415,237	\$247,374,723
Less: Earned revenues	<u>\$ —</u>	<u>\$ 1,664,850</u>
Net Cost of Operations	<u>\$ 258,415,237</u>	<u>\$245,709,873</u>

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2007 and 2006

(in dollars)

Note 13 Exchange Revenue

IMLS enters into reimbursable agreements with other entities which include both administrative costs and grants. As of September 30, 2007 IMLS has generated revenue from the following entities:

	<u>2007</u>	<u>2006</u>
National Park Service	\$ —	\$ 1,269,850
Corporation for Public Broadcasting		350,000
National Science Foundation	<u>—</u>	<u>45,000</u>
Total Earned Revenue	<u>\$ —</u>	<u>\$ 1,664,850</u>

Note 14 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:

	<u>2007</u>		
	No Year	Annual	Total
Obligations Incurred:			
Category A, Direct Obligations	\$ 11,135,269	\$ —	\$ 11,135,269
Category B, Direct Obligations	246,600,218	5,084	246,605,302
Category B, Reimbursable	1,173,683	—	1,173,683
Exempt from Apportionment	<u>402,789</u>	<u>—</u>	<u>402,789</u>
Total obligations incurred	<u>\$259,311,959</u>	<u>\$ 5,084</u>	<u>\$259,317,043</u>

	<u>2006</u>		
	No Year	Annual	Total
Obligations Incurred:			
Category A, Direct Obligations	\$ 12,022,432	\$ —	\$ 12,022,432
Category B, Direct Obligations	231,086,789	71,686	231,158,475
Category B, Reimbursable	1,664,850	—	1,664,850
Exempt from Apportionment	<u>22,796</u>	<u>—</u>	<u>22,796</u>
Total obligations incurred	<u>\$ 244,796,867</u>	<u>\$ 71,686</u>	<u>\$ 244,868,553</u>

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2007 and 2006

(in dollars)

Note 15 Permanent Indefinite Appropriations

The activities of IMLS are authorized by Chapter 72 of Title 20 of the U.S. Code. As a federal agency that administers discretionary programs, IMLS is funded through the permanent indefinite appropriations process. IMLS' role is to provide funding to support museum and library services. The permanent indefinite appropriations allow IMLS to incur obligations indefinitely.

Note 16 Undelivered orders at the end of the period

	<u>2007</u>	<u>2006</u>
Undelivered orders as of September 30:		
Administrative	\$ 589,269	\$ 2,354,365
Program	<u>294,217,481</u>	<u>294,242,214</u>
Total undelivered orders	<u>\$ 294,806,750</u>	<u>\$ 296,596,579</u>

Note 17 Explanation 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 Statement of Financing represent the change in the liability created in the current year.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2007 and 2006

(in dollars)

Note 18 Reconciliation of Net Cost to Budget

Statement of Financing For the Twelve Months ending September 30th

	<u>2007</u>	<u>2006</u>
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations incurred	\$ 259,317,043	\$ 244,868,553
Less: Spending authority from offsetting collections and recoveries	<u>(4,312,482)</u>	<u>(4,200,048)</u>
Obligations net of offsetting collections and recoveries	\$ 255,004,561	\$ 240,668,505
Other Resources		
Imputed financing from costs absorbed by others	<u>485,256</u>	<u>375,559</u>
Total resources used to finance activities	\$ 255,489,817	\$ 241,044,064
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 (+/-)	2,963,512	4,657,082
Resources that fund expenses recognized in prior periods	-	(37,823)
Budgetary offsetting collections and receipts that do not affect net cost of operations:		
Other	-	(21,749)
Resources that finance the acquisition of assets	<u>(149,082)</u>	<u>(24,594)</u>
Resources used to finance items not part of the net cost of operations	2,814,430	(4,572,916)
Resources Used to Finance the Net Cost of Operations:	\$ <u>258,304,247</u>	\$ <u>245,616,980</u>
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	\$ <u>(401)</u>	\$ <u>-</u>
Total Components of net cost of operations that will require or generate resources in future periods	(401)	-
Components not Requiring or Generating Resources:		
Depreciation and amortization	112,132	92,893
Other (+/-)	<u>(741)</u>	<u>-</u>
Total Components of Net Cost of Operations that will not require or generate resources	111,391	92,893
Total components of net cost of operations that will not require or generate resources in the current period	\$ <u>110,990</u>	\$ <u>92,893</u>
Net Cost of Operations	\$ <u>258,415,237</u>	\$ <u>245,709,873</u>