



OFFICE OF THE SECRETARY OF STATE

JESSE WHITE • Secretary of State and State Librarian

Illinois State Library
Gwendolyn Brooks Building
300 South Second Street
Springfield, Illinois 62701
217-782-2994

May 28, 2015

Leslie Bednar, Executive Director
Illinois Heartland Library System
6725 Goshen Road
Edwardsville, IL 62025

Dear Leslie:

Thanks to you, your staff and Board for the FY2016 System Area and Per Capita Grant Application. The IHLS FY2016 application has been preliminarily reviewed. We appreciate the commitment to the core priorities as outlined in the application request.

This communication primarily concerns the uncertainty of the FY2016 Illinois SOS budget and the lack of information we have concerning the FY2016 grant. It is likely at this date that the Illinois FY2016 budget will not be resolved soon. Until you receive official notification from my office, therefore, your FY2016 application is not approved. IHLS must continue to operate under its approved FY2015 application until you receive official notification from my office that you may begin to operate under an approved FY2016 application; this approval may occur after July 1. Notification will follow approval and finalization of the State of Illinois and Secretary of State FY2016 budget. Any commencement of new spending plans and/or initiatives must wait for this notification, including salary adjustments and new services.

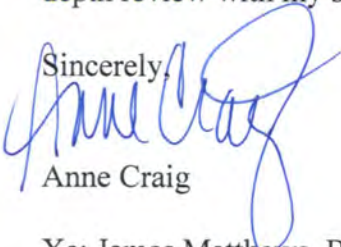
In addition, we have a number of questions and concerns regarding the budget and budget narrative portion of the FY2016 IHLS application. We continue to be concerned about the fiscal oversight of the organization, particularly after the work done with you and your staff last year following the submission of the FY2015 application. I am including a list of the most obvious FY2016 application's budget errors that need to be corrected before the application can be approved. However, our concern is great enough that we will be requesting additional action by the Board for improved fiscal oversight.

1. Errors in addition, totals not reconciling, and positive balances being represented as negative and vice versa are present throughout the document.
2. Almost \$500,000 is categorized under "miscellaneous" for the second year in a row.
3. SHARE fees do not match fees disclosed.
4. Planned increases in sorters for delivery are not shown in the budget.
5. We have already alerted you to the fact that the statements of economic interest are missing.

6. The budget for SHARE was included twice, while the most important overall budget document was omitted. Also, the budget narrative excluded any narrative explaining components of the special reserve and other funds which account for more than 50% of the total budget.

Leslie, please contact my office as soon as possible to set up an appointment, with you and James, for an in-depth review with my staff.

Sincerely,



Anne Craig

Xc: James Matthews, Board President



Illinois Heartland Library System

ATTACHMENT B
ATTACHMENT J

June 9, 2015

Anne Craig, Director
Illinois State Library
300 South Second Street
Springfield, IL 62701-1796

Dear Anne,

Thank you for your correspondence of May 28, 2015, regarding questions about our FY2016 System Area and Per Capita Grant application. In preparation for our meeting tomorrow morning, I have evaluated our FY2016 SAPG Application, focusing on the areas addressed in your letter. The additional information shared by you and your staff on May 29 was helpful and I look forward to the application review. For simplicity, the concerns and my reply follow your original order.

ISL: Errors in addition, totals not reconciling, and positive balances being represented as negative and vice versa are present throughout the document.

IHLS: In our phone conversation, your colleagues mentioned two specific points: errors in personnel expenditures (salary only) in 2.a System FY2016 Annual Operating Budget as compared to 4.1 Exhibit 1a Employee by Position; and 2.b FY2016 SHARE Fund Budget Presentation and 2.c FY2016 General Fund Budget Presentation, which comprise our budget narratives. Based on our phone conversation I believe the discrepancies you and your staff discovered are due to:

- Errors in personnel expenditures in the two noted documents appear to be from the omission of two grant projects from the special revenue fund in the Budget. At the time we submitted our application, the FY2016 Cataloging Maintenance Center (CMC) and OCLC Billing Grants were not submitted. My understanding was that the Budget should include only those grant projects which had been submitted for FY2016. The Employee by Position table does include staff in those grants as they are current staff members we anticipate will be with IHLS in FY2016. The grant projects excluded from the Budget are listed in the cover letter, however we did not specify the anticipated differences by category.
- In the General and SHARE budget narratives, Variance states a comparison by budget category of FY2016 to FY2015 (dollar amount and percentage). An increase in revenues from FY2015 to FY2016 is indicated as a positive number in Column I, which results in a positive budget impact. A decrease in revenues from FY2015 to FY2016 is indicated as a negative number in Column I.

An increase in an expense in FY2016 compared to FY2015 is shown as a negative number. On the other hand, a decrease in an FY2016 expense compared to FY2015 is shown as a positive number.

IHLS regrets the omission of comparison logic as a key to the budget narratives.

ISL: Almost \$500,000 is categorized under "miscellaneous" for the second year in a row.

IHLS: We were instructed to utilize the Miscellaneous expenditure line item in 2.a Annual Operating Budget for transfers between funds:

- In the General Fund column, \$350,000 of the total \$353,500 represents the transfer to SHARE to directly support resource sharing projects. This is not reflected verbatim in our General Fund Budget Narrative as we have an expenditure line item for Transfers to Other Funds.
- In the Proprietary Fund column, \$142,500 represents SHARE's annual transfer from its operating fund to its reserve fund. Our SHARE Fund Budget Narrative includes this activity in the Transfers to Other Funds line item.
- Is it possible to add a category to your budget form that more adequately describes transfers to other funds?

ISL: SHARE fees do not match fees disclosed.

IHLS: On May 29 you and your staff shared the concern that the SHARE Fees and in particular the SHARE Module Fee in our SHARE Budget Narrative did not match the fees listed in 3.2 Plan of Service Proposed Fees. There was an additional question regarding the components of the SHARE Module Fee, and both questions are answered below:

- The total fee included in fees table represents our best estimate of maximum usage by members of these modules/services for the year—with special consideration given to the many new SHARE members that are just now going live with the Polaris database. However when building the SHARE budget we chose a more conservative approach with a modest projected increase based on FY2015.
- The additional Module fees are Polaris ILS modules some libraries have chosen to implement—Acquisitions, Course Reserves, Debt Collection Integration, EDI Interface, Outreach and Telephone Notification. This fee also includes SAM and PC Reservation annual maintenance and SIP2 license fees.

ISL: Planned increases in sorters for delivery are not shown in the budget.

IHLS: We reference adding a second shift of sorters as an activity in 3.1 Plan of Service. This statement was not very clear and I regret the omission. Our internal discussions regarding improving delivery effectiveness and efficiency involve transitioning to longer routes with fewer vehicles on the road each day. When the delivery drivers return to the hub, a second shift would process the sorting so the tubs are ready to go out the next day. We envision the "sorters" would in fact be some of our current drivers whose hours were reduced due to longer routes and fewer vehicles out each day and/or those drivers who prefer the sorting component of their job over the delivery component. We did not budget for additional staff to fill the sorter role, nor did we budget for any additional driver hours. Our expectation is that total delivery driver hours would remain constant.

ISL: We have already alerted you to the fact that the statements of economic interest are

ISL: The budget for SHARE was included twice, while the most important overall budget document was omitted. Also, the budget narrative excluded any narrative explaining components of the special reserve and other funds which account for more than 50% of the total budget.

IHLS: We regret the errors in submission, and welcome your suggestions for alternative methods of future grant submission.

We did not include Special Revenue Fund Narratives in the FY2016 SAPG application as those are discrete projects. As of April 30, IHLS had submitted the FY2016 application for the Illinois Machine Sub-Lending Agency Grant (IMSA) and the Dream Grant as a multi-year project was submitted in 2014. Both of those can be included as budget narratives if you prefer. However, the FY2016 CMC, OCLC Billing and MARC of Quality (TMQ) Grants were submitted after April 30.

The analysis of our application was a very instructive process for me as a director. I trust our meeting will resolve any remaining concerns regarding our application.

Sincerely,



Leslie M. Bednar
Executive Director

cc: Jim Matthews, Board President