

NOTICE OF RULES IN FINAL DRAFT FORM

NOTICE IS HEREBY GIVEN To the presiding officers of each house of the legislature that the proposed rules are in final draft form according to the procedure set forth in s. 227.19, Stats.

**PROPOSED ORDER OF THE
STATE SUPERINTENDENT OF PUBLIC INSTRUCTION
AMENDING RULES**

The state superintendent of public instruction hereby proposes to repeal and recreate PI 6.06 (4) (d) and to create PI 6.06 (4) (e) and (f), relating to public library system audit requirements.

ANALYSIS BY THE DEPARTMENT OF PUBLIC INSTRUCTION

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

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

Explanation of agency authority:

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

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

Related statute or rule: None.

Plain language analysis:

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

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

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

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

Comparison with rules in adjacent states:

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

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

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

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

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

Summary of factual data and analytical methodologies:

See the plain language analysis.

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

Anticipated costs incurred by private sector: N/A.

Effect on small business:

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

Agency contact person: (including email and telephone)

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

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

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

SECTION 1. PI 6.06 (4) (d) is repealed and recreated to read:

PI 6.06 (4) (d) Contract with a certified public accountant to audit the public library system's general purpose financial statements for the fiscal year. The audit shall be conducted in accordance with all applicable federal laws and regulations, Wisconsin Statutes and administrative rules, and all of the following:

1. Generally accepted auditing standards.
2. Governmental auditing standards issued by the U.S. Comptroller General.

3. The applicable provisions of the U.S. office of management and budget, circular A-133, audits of states, local governments and non-profit organizations.

SECTION 2. PI 6.06 (4) (e), (f) and notes are created to read:

PI 6.06 (4) (e) Maintain financial statements present in the auditor's report that comply with generally accepted accounting principles promulgated by the government accounting standards board.

(f) Submit a corrective action plan to the department for any audit which the department determines is not in compliance with this section.

Note: *Audits of State and Local Governmental Units* may be obtained from the American Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, NY 10036-8775.

Governmental Accounting and Financial Reporting Standards may be obtained from the Governmental Accounting Standards Board of the Financial Accounting Foundation, High Ridge Park, Stamford, CT 06905-0821.

Standards for Audits of Governmental Organizations, Programs, Activities and Functions by the Comptroller General of the United States may be obtained from Superintendent of Documents, Public Documents Department, U.S. Government Printing Office, Washington, D.C. 20402.

All of the above publications are available for examination at the Department of Public Instruction, School Financial Services Team, 125 South Webster Street, Madison, WI

SECTION 3. INITIAL APPLICABILITY. This rule first applies to public library audits that are commenced on the effective date of this rule.

The proposed rules contained in this order shall take effect on the first day of the month commencing after the date of publication in the Wisconsin Administrative Register, as provided in s. 227.22(2)(intro.), Stats.

Dated this ____ day of February, 2011

Tony Evers, PhD
State Superintendent