

**STATE OF NEBRASKA
ATTESTATION REVIEW
OF THE
NEBRASKA LIBRARY COMMISSION**

JULY 1, 2007 THROUGH JANUARY 14, 2009

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Issued on February 24, 2009

NEBRASKA LIBRARY COMMISSION

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NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Independent Accountant's Report

Citizens of the State of Nebraska:

We have reviewed the gaming purchase transactions of the Nebraska Library Commission for the period July 1, 2007, through January 14, 2009. The Nebraska Library Commission's management is responsible for the gaming purchase transactions; however, management did not provide us a written assertion regarding such matter.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the gaming purchase transactions. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that the gaming purchase transactions are not presented, in all material respects, in conformity with the criteria set forth in the Criteria section.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Nebraska Library Commission's gaming purchase transactions and any fraud and illegal acts that are more than inconsequential that come to our attention during our review. We are also required to obtain the views of management on those matters. We did not perform our review for the purpose of expressing an opinion on the internal control over the Nebraska Library Commission's gaming purchase transactions or on compliance and other matters; accordingly, we express no such opinions.

Our review disclosed certain findings that are required to be reported under *Government Auditing Standards* and certain other matters. Those findings, along with the views of management and the identification of significant deficiencies, are described below in the Summary of Results. A significant deficiency is a deficiency in internal control, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria or framework such that there is more than a remote likelihood that a misstatement of the subject matter that is more than inconsequential will not be prevented or detected.

This report is intended solely for the information and use of the management of the Nebraska Library Commission, the Citizens of the State of Nebraska, others within the Nebraska Library Commission, and the appropriate Federal and regulatory agencies; however, this report is a matter of public record, and its distribution is not limited.

Signed Original on File

Mike Foley
Auditor of Public Accounts

Mary Avery
Special Audits and Finance Manager

February 24, 2009

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Background

The Nebraska Library Commission (Commission) was created by the Nebraska Legislature in 1901. Its mission is the statewide promotion, development, and coordination of library and information services. The Commission is an advocate for the library and information service needs of all Nebraskans. As of December 31, 2008, the Commission employed 46 individuals.

The following table represents the expenses of the Commission for fiscal year 2008 and July 1, 2008, through January 14, 2009:

	FYE 6/30/08	7/1/08 - 1/14/09
Payroll	\$ 2,336,863.55	\$ 1,244,094.66
Operating	\$ 3,385,606.14	\$ 1,932,546.30
Total	\$ 5,722,469.69	\$ 3,176,640.96

Network Services is an area of the Commission which promotes and supports Nebraska libraries in their effort to share resources and information. Network Services consists of seven Commission employees. Per the Commission, this area:

- Assists information providers in delivering information to Nebraska citizens through electronic exchange.
- Develops and supports access to State government information resources and to national and international communications.
- Introduces and promotes new products that assist member libraries to use information technologies.
- Provides cost-effective, innovative training to strengthen libraries in the use of information technologies.
- Supports and enhances member library programs which promote regional cooperation and resource sharing.

The activities of Network Services include NEBASE (Nebraska's regional network for OCLC [Online Computer Library Center]) services, internet services, statewide database contracting, and community information technology. Network Services provides training to Nebraska libraries on the use of social and sharing websites.

Following are brief descriptions of the social and sharing websites used by Network Services:

- flickr – an online photo management and sharing application.
- YouTube – a video sharing website where users can upload, view, and share video clips.
- Second Life – a virtual world where users can interact with each other through avatars, virtual characters created by users to represent themselves in the virtual world.
- MySpace – a social networking website with an interactive, user-submitted network of friends, personal profiles, blogs, groups, photos, music, and videos.
- Facebook – a social networking website where users can interact with other people.

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These websites are also used by Commission employees to provide resources to their patrons and are posted on the Commission's website under Network Services.

Network Services also provides training to Nebraska libraries on the use of video games. The gaming consoles used in training include PlayStation 2, Nintendo Wii, Xbox 360, and many handheld game devices. Commission employees have occasionally provided their own personal game consoles for training and demonstrations; however, the Auditor of Public Accounts (APA) confirmed the Commission had purchased some games via its State purchase card.

Per the Commission, libraries are using gaming as a tool largely to attract younger patrons. In the magazine **American Libraries (Volume 40, Issue 1 & 2, January/February 2009)**, an article entitled "*Library Gaming Census Report*" supports this assertion, stating:

"Libraries were asked to indicate the single most important goal of the gaming program. Drawing in the underserved was the most common goal, followed by increasing the library's role as a community hub. Other popular goals were to provide a source of entertainment and to provide an additional service for a group of active library user."

The full text of the article referenced above may be found on the **American Libraries** website at: <http://site.ebrary.com/lib/ala/docDetail.action?docID=10268897&page=1>.

Criteria

The criteria used in this attestation review were State statutes, the Department of Administrative Services' (DAS) Purchasing Card Manual, and Commission Rules and Regulations regarding employee recognition.

Summary of Procedures

Pursuant to Neb. Rev. Stat. § 84-304 (Reissue 2008), the APA conducted an attestation review of the gaming purchase transactions for the time period July 1, 2007, through January 14, 2009, in accordance with standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The APA's attestation review consisted of the following procedures:

1. Obtained the general ledger detail from the Nebraska Information System, the State's accounting system. Obtained from DAS – Accounting Division, the State purchase card transaction detail.
2. Reviewed the items in #1 for purchases related to gaming. The supporting documentation regarding these purchases was obtained from the Commission.
3. Conducted interviews of the Commission Director and employees regarding gaming activities.
4. Obtained timesheets for Network Services employees for months in which gaming activities occurred to determine if the employees coded their work hours to gaming activities.

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- 5. Documented online postings by Commission employees to social and sharing websites.
- 6. Obtained a copy of the Commission’s Employee Recognition Program approved by DAS to determine if the Library Worker Appreciation Day was within the approved program.

Summary of Results

The summary of our attestation review noted the following findings and recommendations:

1. Purchase of Gaming Equipment

Commission employees have occasionally provided their own personal game consoles for trainings and demonstrations; however, the APA confirmed the Commission had purchased the following in January 2008 via its State purchase card:

Item Description – BestBuy.com	Amount
PlayStation 2	\$ 129.99
Dance Dance Revolution game with dance mat	\$ 59.99
Additional Dance Mat	\$ 31.99
2 - Year Product Replacement Plan	\$ 19.99
Shipping & Handling	\$ 14.97
Sales Tax	\$ 17.99
Order Total	\$ 274.92

Item Description - Sears.com	Amount
PS2 Rock Band Bundle	\$ 159.99
Special offer savings	\$ (5.26)
Sales Tax	\$ 11.27
Shipping Charges	\$ 6.25
Order Total	\$ 172.25

The Commission purchased gaming equipment from Sears.com for a total cost of \$172, which included \$11 in sales tax and \$1 in shipping (after special offer savings). The Commission made another purchase through BestBuy.com for a total cost of \$275 and paid \$18 in sales tax and \$15 in shipping and handling. Both of these businesses have actual locations in Lincoln. The equipment was maintained in a locked room to which all of the Network Services staff had access.

The DAS Purchase Card Manual states, “No sales tax should be charged on purchases made in Nebraska.”

The purchase of gaming equipment is a questionable use of public funds. It is common knowledge that children enjoy games and toys, so there appears to have been little need to purchase the games. Moreover, none of the games purchased were so complicated or out of the ordinary as to require the Commission to demonstrate their use to library staff and others.

Without adequate procedures to ensure purchases made on the purchasing card are not assessed sales tax, there is an increased risk taxes will be paid. In addition, there is an increased risk of asset loss or misuse when the items are not appropriately identified as property of the State of Nebraska.

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We recommend the Commission ensure sales tax is not paid when using the State purchasing card. Paying sales tax in these instances was an unnecessary expense to Nebraska taxpayers. Finally, we recommend the Commission only use public funds for purchases consistent with its mission.

Commission's Response: Gaming equipment and games have become increasingly popular and in demand resources for library programming and service. The Library Commission purchased game equipment in response to requests from Nebraska librarians for demonstration and instruction. The Library Commission's actions in acquiring gaming equipment and a few representative games are proper and in accord with the agency's state statutory mission and its purposes in introducing new technologies, techniques and providing information and instruction in the use of these technologies.

The Commission agrees to be observant in checking purchases made with use of a state issued purchasing card to assure that sales tax is not included in the transaction.

2. Online Postings

Good internal control requires documented policies and procedures for the appropriate use of State video/computer equipment.

Network Services employees posted multiple photos and videos to social and sharing websites, such as YouTube and flickr, using State equipment. These videos and photos featured Commission employees playing video games. Per confirmation by Commission employees, there was no documented approval or monitoring of the postings by Commission management. We consider this finding to be a significant deficiency.

Without proper procedures in place to ensure items posted to social websites on behalf of the Commission are approved and monitored, there is an increased risk of misuse of State equipment.

Second Life

Network Services' flickr profile contained two "events" held in the virtual world Second Life. The first event, held on May 11, 2007, from 3:00 PM to 5:00 PM, was to celebrate the opening of the Commission's Second Life site. The second event was a Halloween Party held on October 30, 2007, from 3:00 PM to 5:00 PM. Both of these events were attended by Commission employees and were held during normal work hours.



Source: <http://www.flickr.com/photos/librarycommission/498020506/in/set-72157600214087866/>

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The Commission pays \$100 per year to the Alliance Library System for the lease of “land” used by Network Services in the virtual world Second Life. As of January 14, 2009, the Commission had paid the \$100 annual lease for November 1, 2007, through October 31, 2008, and November 1, 2008, through October 31, 2009.

The Second Life virtual world uses a currency called Lindens Dollars (Lindens), and the Commission purchased 6,619 Lindens for \$25 in May 2007. The Lindens were used to set up the Nebraska Library Commission Group in Second Life, pay the weekly fee to have the Commission listing in the Second Life search, and pay to upload images. These three items were paid with Lindens within the virtual world.

Additionally, the Commission purchased two DVDs about Second Life in March 2008 for \$27. There are 12 photos of the Second Life Halloween Party and 23 photos of the Second Life Grand Opening posted on flickr.

There was no documentation on file to indicate the Network Services Director or Commission Director had approved the information and pictures maintained on the site or the timing of the actual event.

flickr

The Commission paid \$25 for a one-year flickr pro-account membership in November 2007 and a two-year membership for \$48 in February 2008. These were two separate accounts used by Network Services. The memberships allows Network Services staff to have unlimited uploads and storage, access to original files, and video uploads. Per the website, <http://www.flickr.com/photos/librarycommission/archives/>, Network Services has posted the following number of photos:

Nebraska Library Commission's photostream		
Posted to Flickr per Website		
Year	Month	Number
2006	August	17
	October	32
	November	20
	December	19
	Total	88
2007	January	7
	February	252
	March	59
	April	16
	May	40
	June	52
	July	85
	August	89
	September	1
	October	121
	November	152
	December	18
	Total	892

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Year	Month	Number
2008	January	24
	February	61
	March	31
	April	301
	May	156
	June	83
	July	35
	August	181
	September	65
	October	160
	November	91
	December	99
	Total	1,287

These photos were posted by Network Services employees, without Director approval, on behalf of the Commission. The Commission uploaded numerous pictures of multiple gaming events to their flickr profile. Both privately-owned and Commission-owned game consoles and games were played at these events. These events were held during normal work hours and were attended by State employees. Per interviews and pictures found on the website, the games were used at the following events:

- UNL Staff Gaming Day held on July 31, 2008 – some training was provided by Network Services employees to UNL library staff on the use of games in libraries. There are 77 photos posted on flickr for this event.



Source: <http://www.flickr.com/photos/librarycommission/2722489938/in/set-72157606480977496/>

- Gaming in Libraries Workshop held on April 17, 2008 – workshop was held at the Commission for librarians to gain knowledge on the use of games in libraries. An employee was also reimbursed \$35 to provide snack food at the workshop, and a workshop speaker was paid \$55 for mileage from Fremont to Lincoln and back related to the workshop. There are 129 photos and 14 videos posted on flickr for this event.



Source: <http://www.flickr.com/photos/librarycommission/2422401913/in/set-72157604601855028/>

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- Library Worker Appreciation Day held on April 15, 2008 – per discussion with Commission employees, this was part of the National Library Workers Day, which is celebrated the Tuesday of National Library Week. Games were set up for Commission employees to use throughout the day. There are 70 photos posted on flickr for this event.



Source: <http://www.flickr.com/photos/librarycommission/2417950041/in/set-72157604565893282/>

YouTube

In January 2008, Network Services uploaded a video on YouTube of Commission employees setting up PlayStation 2 and playing the games Rock Band and Dance Dance Revolution. Network Services had an additional video on YouTube posted in July 2007 of employees playing Guitar Hero on an employee's personal Xbox 360. The APA interviewed administrative and Network Services employees regarding the making and editing of these videos. All the individuals in the videos were Commission employees and the YouTube videos were created on State computers and altered during normal work hours. There was no approval process by the Commission's Director or Network Services Director for the videos to be made or uploaded to YouTube; however, they were aware they existed. The links to the YouTube videos are as follows:

- <http://www.youtube.com/watch?v=7I84RvK7LuE>
- <http://www.youtube.com/watch?v=BtaxonKRYOs>

The use of State equipment and employee time to demonstrate and play gaming devices, post photos and videos, or access virtual websites are questionable uses of public funds. State equipment and time should only be used for official Commission business. Employees playing games or accessing virtual websites on State time appear to be inappropriate.

We recommend the Commission establish proper policies, procedures, and controls to ensure the videos and photos being posted on behalf of the Commission are approved and properly reflective of Commission activities prior to posting. Finally, we recommend the Commission not use any public funds relating to playing gaming equipment or accessing websites for non-official business.

Commission's Response: Library Commission staff has checked internal communications and has confirmed that there was awareness and approval of the postings.

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APA Response: The Library Commission staff acknowledged not having standard policies or procedures for documented approval of posting to the internet. The internal communications were not provided to the Auditor's office.

3. Employee Recognition Policy

The Commission held an appreciation event for its employees, which was not part of the approved Employee Recognition Program. The appreciation event was in honor of National Library Workers Day. According to photos and comments posted by the Commission, employees played video games, were provided pizza, and received prizes for the completion of Learning 2.0. Learning 2.0 is an online learning program where Commission employees and outside participants were encouraged to learn more about emerging technologies on the web, which are changing the way people, society, and libraries access information and communicate with each other. According to Network Services employees, the prizes included MP3 players purchased using private funds. The event was held during normal work hours, on State property, and employees were paid for the time they participated in the event.

According to Title 273 NAC 18-001, agencies may implement Employee Recognition Programs with the approval of the Director of Personnel, DAS State Personnel Division. However, without DAS approval for employee recognition events, there is an increased risk of the misuse of State funds.

We recommend the Commission ensure all employee recognition events are appropriately approved by DAS.

Commission's Response: The Library Commission's participation in National Library Worker's Day, held in April, 2008, included a lunch-time activity. Food and beverages were paid for by supervisors and prizes were contributed by two employees at their personal expense. No public funds were spent for the recognition event. A portion of the event included discussion of a recently completed staff learning activity. The activities for this event were not such that any external approval was necessary. However, the Commission will consider updating its employee recognition policies to include special activities for future National Library Worker's Day participation.

APA Response: Public Funds were used in connection with the event, as it was conducted during normal work hours, on State property, and employees were paid for the time they participated in the event.

Overall Conclusion

The Commission used public funds to purchase gaming equipment and paid unnecessary sales tax and shipping for the gaming equipment. This gaming equipment is being used by Commission employees during work hours on State property. In addition, the Commission is

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using social websites and gaming equipment on State time and with State computers which appears to be an inappropriate use of public funds and is not in accordance with its employee recognition policy. Finally, photos and videos are being posted to websites using State computers on State time without management's approval to ensure they appropriately reflect the Commission's image. All of this information has been referred to the Legislative Performance Audit Committee.

Commission's Response: Gaming equipment was used for work-related demonstration and training events. The equipment has not been used since. However, the Commission continues to receive interest in the gaming equipment from librarians and will offer future demonstrations and training.

The APA staff members involved in this attestation review were:

Mary Avery, Special Audits and Finance Manager

Deann Haeffner, Assistant Deputy State Auditor

Cindy Janssen, Audit Manager

Lance Lambdin, Legal Counsel

Julie Smith, Auditor-in-Charge

Marta Schrock, Auditor-in-Charge

Philip Olsen, Auditor-in-Charge

If you have any questions regarding the above information, please contact our office.