

**REPORT OF THE REVIEW COMMITTEE
ON PROVINCIAL PUBLIC LIBRARIES BOARD
PUBLIC VERSION**

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CHAPTER I

THE PROVINCIAL PUBLIC LIBRARIES BOARD REVIEW COMMITTEE

INTRODUCTION

The Minister of Tourism and Culture on March 2, 1993 issued a press release to the effect Government had approved the establishment of an independent Review Committee to examine the operations and mandate of the Provincial Public Libraries Board.

The press release stated "This action was deemed necessary, in light of the Board's decision to close libraries in the Province last year for a week in September and a week in December. In addition, the Auditor General's Report indicates serious deficiencies in a number of areas of financial management and accounting control".

The release further stated "The Review Committee will be exhaustive in their analysis of the Libraries Board. I am confident some positive recommendations will be developed which will enable our Provincial Libraries to operate better financially and on more solid ground."

It should be noted the Board, during the Summer of 1992, asked Treasury Board to carry out an organizational review. However such a review was not conducted.

THE REVIEW COMMITTEE

The Committee, which answers to the Minister of Tourism and Culture, is comprised of the following members:

Chairman

Philip A. Saunders	-	Retired Assistant Vice-President and District Manager of Roynat Inc.
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Others

John Snow	-	Chairman of the Provincial Public Libraries Board
Florence Delaney	-	Assistant Deputy Minister, Finance and Administration, Department of Education (At the time of appointment Ms. Delaney was Director of Budgeting, Treasury Board.)
Rick Hayward, C.A.	-	Director of Finance and General Operations, Department of Tourism and Culture
Keith Healey, C.A.	-	Director of Internal Audit, Department of Finance

MANDATE OF THE REVIEW COMMITTEE

- To:
- (a) review the Board's operations with respect to the Auditor General's report and concerns over administrative procedures, fiscal management and related matters, with a view to recommending action to alleviate these concerns;
 - (b) review the Report of the Government Purchasing Agency concerning purchasing practices of the Libraries Board in relation to the Public Tender Act;
 - (c) undertake a general review of the organization and management structure of the Libraries Board to determine if changes should be made to make the Board more efficient, effective and functionally improved; and
 - (d) review the decision of the Libraries Board to close libraries temporarily as a cost saving measure to determine if measures other than closure could have been implemented.

REVIEW PROCESS

The Chapters to follow represent many hours of laborious deliberations and exacting research.

Files were researched and reports analyzed. Interviews and meetings were held with many Board staff, certain Board members, Regional Board members and staff, Government officials, the Auditor General and her staff, and others. Staff were invited to submit written presentations and some did. There were countless telephone conversations.

Visits were made to selected Libraries, and Regional Boards, not only to see the physical facilities but also to learn of any staff concerns and recommendations.

The Review Committee, in the Chapters to follow, outlines the results of its work and makes statements and recommendations that it feels will not only measure up to the requirements of its mandate but also serve as a means for the Provincial, Regional and Local Boards to operate more efficiently and to provide a better library service in the future.

REPORT STRUCTURE

An Executive Summary, listing the major recommendations of the Review Committee, is contained in Chapter II.

Chapter III outlines, in some detail, the Provincial Public Libraries Board, as it exists today.

The four items making up the Committee's mandate are outlined in Chapter IV, V, VI and VII and cross-references noted where deemed necessary. Each Chapter will include observations and recommendations.

The final Chapters include those items not specifically included in the mandate but which the Committee feels necessary to report on.

CHAPTER II EXECUTIVE SUMMARY

The Review Committee, throughout its Report, will point out many areas of concern over the operations of the Provincial Public Libraries Board. These include, but are not limited to

1. Serious accounting deficiencies and internal control weaknesses since 1983.
2. No control over budget which resulted in an accumulated deficit of \$1,022,348 and an overdraft of \$841,428, both as of March 31, 1992. See Chapter VIII.
3. A Provincial Board comprised of members with little or no financial expertise, and as a result relied too heavily on information from the Provincial Director and the Financial Administrator.
4. A virtual disregard of many requirements of The Public Tender Act.
5. A poorly written Provincial Public Libraries Act and Regulations, with Sections disregarded by Management.
6. An Organization that is overloaded with Head Office and Regional Staff, and too many Regional Boards.
7. Too many Local Library Boards.
8. Too small a percentage of budget spent on books and periodicals.
9. A virtual hands off approach by responsible Departments of Government in overseeing the Agency.

In the Chapters to follow, the Review Committee makes a number of recommendations. While all of them are important, the Committee feels the following should be highlighted.

REFER

PAGE NO. RECOMMENDATIONS

- 51 Government require the Provincial Public Libraries Board to repay the \$847,621 overdraft in equal annual instalments over 5 years.
- 32 The Provincial Board review the Regional System and reduce the number of Regions to three:
- | <u>Region</u> | <u>Local Libraries Under Supervision</u> |
|------------------|---|
| Eastern | All those now in St. John's, Avalon and Bonavista-Burin. |
| Central | All those now in the Central and Gander Regions. |
| Western-Labrador | All those now in the Western and Labrador-Northern Regions. |
- 33 By reducing the number of Regions to 3 the estimated annual net savings would be in excess of \$500,000 - such an amount be maintained in the Board's Annual budget allocation to liquidate the overdraft, purchase more books, improve Local Library premises, etc.
- 34 Cabinet immediately give approval to the Provincial Board to close the 12 Local Libraries already designated for such action.
- 19 Non-consolidated annual Financial Statements be prepared for audit, and consolidated ones be prepared solely for internal use and presentation to the Provincial Board.
- 19 If unqualified opinions are not received from the Auditor General, both the Provincial Board and the Department (a) take immediate steps to investigate the reasons and (b) ensure corrective actions are implemented.
- 29 The Board implement proper controls and procedures to ensure compliance with The Public Tender Act.
- 19 Cabinet issue Directives to those Departments having agencies, such as the Provincial Public Libraries Board reporting to them, calling for timely audits, reviews of all annual Financial Statements and in the case of qualified opinions, investigations of the reasons and reports on corrective actions being taken.
- 38 The Assistant Deputy Minister or some other senior official of the Department of Tourism and Culture be appointed to the Provincial Board.

- 39 Treasury Board be directed by Cabinet to assign high priority to carry out an organizational review of the Provincial Board's Head Office staff.
- 38 The Provincial Public Libraries Board report to the Department of Education, not the Department of Tourism and Culture. This will necessitate, of course, substituting the Departments in some of the recommendations and suggestions throughout this Report.

CONCLUSION

The recommendations, if accepted, will need the cooperation of the Board, the Regional Library Boards, the Local Library Boards, staff at all levels and the Provincial Government if they are to be fully implemented.

The Library System will change - fewer Regions and Local Libraries, more Joint Services Libraries, less staff, more books and periodicals and a more efficient overall operation, resulting in a better service to the Library users. Also, Government will have better control over this Agency, and perhaps other like Agencies.

Finally, the Review Committee makes one other recommendation that is not stressed in this Report but should be a long term objective of both the Provincial Public Libraries Board and the Provincial Government:

RECOMMENDATION

The Board and Government start planning now for a Libraries System that will eventually become the responsibility of Municipal Governments, somewhat similar to systems elsewhere in Canada.

CHAPTER III

THE PROVINCIAL PUBLIC LIBRARIES BOARD

INTRODUCTION

The first Public Libraries Board was officially approved by the Commission of Government on January 22, 1935.

This Crown Corporation, which is officially known as the Provincial Public Libraries Board, provides library programmes to the Province through a network of Local Libraries, Regional Offices, a Technical Services Department, a Provincial Reference and Resource Library and the administration offices at St. John's.

Today there are 7 Regional Offices (including the St. John's Library Board which is not officially classified as a Region) and 105 Local Libraries, all as outlined in the following pages of this Chapter.

THE ACT AND REGULATIONS

The Provincial Public Libraries Board is governed by the Public Libraries Act (RSN 1990 Chapter 40).

The Public Libraries Board Regulations were approved by the Minister of Municipal and Provincial Affairs on September 20, 1989 and gazetted on March 23, 1990.

Both the Act and the Regulations will need to be amended to cover some of the recommendations of the Review Committee and for other reasons, as commented upon later in this report.

PROVINCIAL PUBLIC LIBRARIES BOARD

The Act describes the Board as a corporation consisting of not less than 10 and not more than 15 members. Membership is comprised of a representative from each Regional Library Board appointed by that Board, a representative of the St. John's Library Board appointed by that Board and up to eight others appointed by the Lieutenant-Governor in Council. All are appointed for three years and are eligible for reappointment. Six members constitute a quorum.

The Board must meet at least four times annually. Its annual meeting is to be held on the third Thursday in March.

It is headquartered in St. John's, has a total staff complement of approximately 230 and the chief source of revenue is a Provincial Government grant (\$5,968,900 for 1993/94).

MISSION STATEMENT

To provide, through the Public Library System, the best public library service and to ensure that library materials, information and programmes are available to every individual in the Province.

BOARD MEMBERS

	<u>Address</u>	<u>Appointed</u>	<u>Expiry Date</u>
* Bennett, Don	Grand Falls/Windsor	April 1, 1991	March 31, 1994
Fowler, Kelvin	Manuels	April 1, 1991	March 31, 1994
Hall, Alan	St. John's	April 1, 1990	March 31, 1993
* Harvey, Susan	Lark Harbour	April 1, 1992	March 31, 1995
Hicks, Roma	Springdale	April 1, 1991	March 31, 1994
* Jones, William	Gander	April 1, 1991	March 31, 1994
Reid, Francis	Gander	April 1, 1991	March 31, 1993
* Sheppard, Mary	Labrador City	April 1, 1993	March 31, 1996
* Snow, John	Bonavista	April 1, 1992	March 31, 1995
Swyer, Julia	St. George's	April 1, 1991	March 31, 1994
* Taylor, Calvin	Kelligrews	April 1, 1993	March 31, 1996
* Woodruff, Mary	St. John's	April 1, 1992	March 31, 1995

* Indicates Regional representatives appointed as per section 3(a) and (b) of the Act. All others were appointed by the Lieutenant-Governor in Council.

The terms of Messrs. Hall and Reid expired on March 31, 1993 and, to the date of writing this report, have not been reappointed.

All Board members are volunteers.

BOARD OFFICERS

Chairperson	-	John Snow
Vice-Chairperson	-	Calvin Taylor
Secretary	-	Provincial Director

BOARD COMMITTEES

There are 5 Committees, as follows:

1. EXECUTIVE COMMITTEE

Acts on behalf of the Board between meetings and is comprised of the Chairperson, the Vice-Chairperson, the Immediate Past-Chairperson, and the Chairperson of each of the Standing Committees. The Provincial Director is the Secretary. A quorum is three members.

2. **FINANCE COMMITTEE**

This Committee of 5-7 members, all appointed by the Board, advises the Board on all matters of finance. A quorum is three members. The Provincial Director acts as Secretary and the Financial Administrator is required to attend all meetings.

3. **STAFF COMMITTEE**

This Committee of 5-7 members, all appointed by the Board, advises the Board on matters pertaining to the welfare and working conditions of the employees within the whole system. A quorum is three members. The Provincial Director acts as Secretary, and the Deputy Director is required to attend all meetings.

4. **PLANNING AND PRIORITIES COMMITTEE**

This Committee of 5-7 members, all appointed by the Board, advises the Board on all matters of planning and development. A quorum is three members. The Provincial Director acts as Secretary, and the Deputy Director is required to attend all meetings.

5. **PUBLIC RELATIONS COMMITTEE**

This Committee of 5-7 members, all appointed by the Board, advises the Board on matters of a public relations nature. A quorum is three members. The Provincial Director acts as Secretary.

REGIONAL LIBRARY BOARDS

A Regional Library Board, through its staff, is an administrative unit and is a communication link between the local Boards under its supervision and the Provincial Board. The following Regional Boards come under the umbrella of the Provincial Board and report to the latter. The Local Boards report to the Regions.

<u>Region</u>	<u>Local Boards Under Supervision</u>
AVALON: Headquarters: Harbour Grace Lease - Exp. 8/95 - Annual Rent \$19,909 Staff - Regional Librarian - 3 other staff	Bay Roberts Bell Island Brigus Carbonear Conception Bay South Fox Harbour Freshwater Harbour Grace Holyrood Mount Pearl Old Perlican Placentia Pouch Cove St. Bride's Spaniard's Bay Torbay Trepassey Upper Island Cove Victoria Whitbourne Winterton (21 in total)
BONAVISTA-BURIN: Headquarters: Clarenville Lease - Exp. 6/94 - Annual Rent \$13,200 Staff - Librarian - 2 staff	Arnold's Cove Bonavista Burin Catalina Clarenville Fortune Garnish Grand Bank Marystown St. Lawrence Southern Harbour (11 in total)

CENTRAL:

Headquarters: Grand Falls/Windsor

Lease - Exp. 6/95

- Annual Rent \$31,250

Staff - Librarian

- 4 staff (inc. 1 half time)

1

GANDER:

Headquarters: Gander

Lease - Nil (Free)*

Staff - Librarian

- 2 staff

*in Gander Public Library

Baie Verte
Bishop's Falls
Botwood
Buchans
Gaultois
Harbour Breton
Harmsworth (Grand Falls/Windsor) -
(2 libraries)
Harry's Harbour
Hermitage
King's Point
La Scie
Norris Arm
Point Leamington
Roberts Arm
St. Alban's
Seal Cove
Sop's Arm
Springdale

(18 boards-19 libraries)

Badger's Quay
Carmanville
Centerville
Change Islands
Dover
Fogo
Gambo
Gander
Glenwood
Glovertown
Greenspond
Hare Bay
Lewisporte
Lumsden
Musgrave Harbour
Summerford
Twillingate
Wesleyville

(18 in total)

LABRADOR - NORTHERN:

Headquarters: Labrador City

Lease - Exp. 8/95

- Annual Rent \$16,800

Staff - Librarian

- 2 staff

Labrador City

Wabush

Cartwright

Churchill Falls

Happy Valley

Lance au Loup

Port Saunders

St. Anthony

St. Lunaire-Griquet

(9 in total)

WESTERN:

Headquarters: Corner Brook

Lease - Month to Month

- Annual Rent \$26,400

Staff - Librarian

- ~~4~~ staff *ERROR*

3

Bay St. George

Burgeo

Cape St. George

Codroy Valley

Cormack

Corner Brook

Cow Head

Daniel's Harbour

Deer Lake

Lark Harbour

Lourdes

Norris Point

Pasadena

Port au Port East

Port au Port West

Port aux Basques

Ramea

Rocky Harbour

St. George's

Stephenville

Stephenville Crossing

Woody Point

(22 in total)

ST. JOHN'S:

Headquarters: Arts & Culture Center

Sites: - A.C. Hunter - Arts & Culture Center
- Gosling - City Hall
- M. Donovan-Topsail Rd. Strip Mall
- M. Mews - Wedgewood Park Strip Mall
- Goulds - Town Building

Lease - A.C. Hunter - Free
- Gosling - Free
- Goulds - Free
- Donovan & Mews - Various \$79,000.

A. C. Hunter
Gosling
Marjorie Mews
Michael Donovan
Goulds

(5 in total)

Staff - 4 professional librarians
- 22 support staff for all libraries in the St. John's Region

The 7 Regions receive grants from the Provincial Board which also pays staff salaries and other costs.

The Act states a Regional Library Board shall consist of one representative from each Local Board within its Region. The only exception is St. John's which is not officially a Region. Its Board consists of not less than nine members and not more than twelve, all of whom are appointed by the Provincial Board. The Act states one member must be a member of the St. John's Municipal Council. All Regional Board members (not staff) are volunteers.

Officers of all Regional Boards are elected at the annual general meetings.

LOCAL LIBRARY BOARDS

The role of every Board is to supply good library services and to ensure its Local Library's operations and management are properly maintained and supervised.

Members are approved by the Provincial Board upon recommendations of the Local Boards. All are volunteers. Officers are elected at the annual general meetings.

The Provincial Board pays for all staff salaries, books and other supplies, and provides grants. Locals are not permitted to charge membership registration fees but they can raise funds through other means. All monies raised by a Local Board must be used towards the operation of its library, and such funds do not form part of the general funds of the Provincial Board.

VOLUNTEER LIBRARIES

The Provincial Public Libraries Board, in recognizing the need to provide public library services to as many people as possible, but finding itself within financial constraint which did not permit the expansion of Local Library Boards, drafted a policy on Volunteer Libraries.

Some of the key items in this policy are:

1. A community must serve a population of at least 1,000.
2. A Steering Committee must have the Provincial Board's approval for a Volunteer Library.
3. The community must provide facilities, and volunteer help has to be available to operate the Library.
4. The Provincial Board gives no direct financial assistance but provides certain services including an exchange collection of books through the Regional Office.
5. The Volunteer Library must adhere to the policies and procedures of the Provincial Board, and report regularly on its activities to the Regional Librarian.
6. The Volunteer Library status is reviewed at the end of every three years.

There are five Volunteer Libraries in operation:

- Birchy Bay
- St. Phillips
- North West River
- Bull Arm (Hibernia)
- Lamaline

JOINT SERVICES

School/Public Libraries:

These Libraries can be established in areas where there is no central community meeting the minimum population requirements of 1,000, and where no other Public Library Service is feasible. Other requirements include a guarantee of support for the Public Library, only one school system operating in the area, and in a school district which employs a full-time, qualified School Library Consultant, or Media Co-ordinator, on a continuing basis who is available to provide consultation to the School Library Personnel.

The School Board is responsible for staffing the Library during hours of school use, and the Provincial Board employs a Librarian during non-school hours.

An Agreement between the two parties sets forth the responsibilities of the Provincial Public Libraries Board and the School Board as they both endeavour to provide quality library services and programming to their respective clientele.

There are 13 such Libraries operating today, all of which are included in the 105 Locals already listed in this Chapter:

Port au Port West
Lourdes
Bay St. George
Cape St. George
Codroy Valley
Lark Harbour
Fogo
Glovertown
Carmanville
Wesleyville
Twillingate
Sop's Arm
Churchill Falls

PROVINCIAL BOARD MANAGEMENT

- Provincial Director - The General Accountability Section of the Position Description states this position is accountable for the direction and formulation of library policy and the effective administration and delivery of all Provincial Public Library services.
- Deputy Provincial Director - The General Accountability Section of the Position Description states this position is responsible for bringing effective administration to the Public Libraries in the Province through responsibilities and duties relating to the Regional System and personnel management for all employees.
- Financial Administrator - The Position Description states this position is accountable for the development, implementation and maintenance of financial administration programs for budgets, expenditure control, accounting for revenue and costs in accordance with Government policies, regulations and procedures, as well as those of the Provincial Public Libraries Board.

SECONDED ADMINISTRATOR

Recognizing the Provincial Director was retiring on March 31, 1993, the Review Committee recommended to the Minister that (a) an Administrator with sound financial background be seconded from within the civil service for a three month period and (b) no search for a new Provincial Director be implemented until it (Review Committee) is in a position to have some input into the writing of a new Position Description.

Donna Brewer, a Budget Officer with the Treasury Board Secretariat, was seconded and given specific duties and responsibilities.

LIBRARIES ELSEWHERE IN CANADA VS THE NEWFOUNDLAND SYSTEM

The following edited excerpts taken from a Regional Librarian's submission to the Review Committee confirms what the latter found through its own investigations, including correspondence with other Provinces.

"In most parts of Canada, municipally supported libraries are the norm. While these libraries usually have library boards, they are often advisory in function. The Library Director reports to the City/Town Manager and the Library Budget is approved by Council.

In some areas, library services are provided at the township or county levels.

While Alberta has regional systems to serve its many small communities, each member library has its own board and budget. These municipal libraries are not required to be participants in the regional systems. Each library board voluntarily joins and retains the right to leave the system. The regional systems are also autonomous of each other and separately must provide many of the services provided by the Newfoundland Public Libraries Board's Administration and Technical Services Division to all libraries in Newfoundland and Labrador."

In this Province, many of the Libraries established in the first thirty years were in unincorporated communities. Today, almost all Libraries are in incorporated communities. While many Councils provide free space to Local Libraries, others charge rent. Some pay certain expenses such as utilities, repairs and snowclearing, and only a few make cash grants.

By paying the wages of Local Libraries' staff and providing grants to help defray operating costs, the Newfoundland Provincial Board made belonging to the Provincial system more desirable than staying outside it.

Appendix I gives comparisons of Library statistics for a number of cities in Canada, including St. John's. It is included solely to give some sort of measurement of how St. John's Libraries stack up against others. Unfortunately, the only comparisons the Review Committee has been able to get are those for major cities. Statistics for rural areas would have been more meaningful.

CHAPTER IV
SECTION (a) OF THE MANDATE
REPORT ON AUDITOR GENERAL'S COMMENTS

INTRODUCTION

This section of the mandate includes a review of the Board's operations with respect to the Auditor General's report and concerns over administrative procedures, fiscal management and related matters, with a view to recommending action to alleviate these concerns.

This Chapter, then, relates solely to that mandate.

AUDITOR GENERAL'S REPORT - OCTOBER 19, 1992

The Auditor General's report to the Provincial Public Libraries Board of the audit of the consolidated statements for the year ended March 31, 1991 indicated serious deficiencies in a number of areas of financial management and accounting control. These are outlined in the following five areas:

A. Audit Opinion

An adverse opinion had been issued for every fiscal year since 1982-83. However, the Auditor General's opinion for the year ended March 31, 1991 was a denial. The major areas of concern were:

- not all assets, liabilities, revenue and expenditure transactions of the Local Library Boards were included in the Provincial Board's financial statements;
- valuations for land, building, furniture and equipment were, in some cases, estimated with no justifiable support.

B. System of Internal Control

There were many comments and recommendations on (a) sales/receivables/receipts, (b) purchases/payables/payment, and (c) payroll, all at the Provincial Board level, which indicated a weakness in internal controls. There were also concerns over weaknesses in internal controls in several Local Libraries.

C. Financial Accounting and Reporting

1. Cash

- Funds raised by Local Boards through gifts, bequests, etc., are not available, by regulations, to the Provincial Board to be used as it chooses. However, the Provincial Board included, in its balance sheet, the total amount of \$622,668 held by the Locals, in a manner which implies these funds are available to the Provincial Board.

- Guidelines to strengthen controls over petty cash, as promised by the Board a year earlier, were not evidenced.
 - Bank reconciliations were up to 10 months in arrears.
2. **Capital Leases**
 - All were not properly recorded and disclosed.
 3. **Severance Pay and Unused Annual Leave**
 - Severance pay and accumulated earned annual leave were not properly recorded.
 4. **Capital Assets**
 - Verification of many valuations shown in the inventory of capital assets was not supported.
 - Documentation was not on file to show legal title to buildings for a number of Local Libraries.
- D. Legislative Compliance**
1. **Public Tender Act**
 - In the opinion of the Auditor General, the Provincial Board did not comply with the Public Tender Act in the ordering of books and periodicals and other supplies, in the leasing of space, and in other areas.
 2. **Debt Obligations**
 - The Act does not give authority to either the Provincial Board or any Local Board to incur debt obligations. The new library building at Stephenville is held in the name of Kindale II Inc., a non-profit company. The company had a \$299,000 loan at the Royal Bank of Canada. In the opinion of the Auditor General, this is a Provincial Board debt obligation.
- E. Other**
1. **Control Over Budget**
 - A major concern of the Auditor General was the lack of control over budget which resulted in increased deficit levels in operating accounts as evidenced by the following:

<u>Year End</u>	<u>Excess of Expenditures over Revenues</u>	<u>Total Overdraft Per Bank Statement</u>
March 31, 1990	\$ 33,788.	\$100,471.
March 31, 1991	203,778. *	324,231.
March 31, 1992	359,108.	765,775.

* Does not include an adjustment for audit fees of \$36,886. for 1987/88 to 1990/91.

- The Auditor General recommended the Board take immediate steps to address its deficit and related bank overdrafts.

2. Financial Management

- The Auditor General recommended the Board review its present organizational structure, and, in consultation with the Department of Tourism and Culture, determine the additional human resources necessary to ensure all financial issues of the Board are properly addressed.

COMMITTEE'S COMMENTS ON THE FIVE AREAS OF CONCERN

The Committee's approach in this Chapter is to generally outline the areas of concern and, in certain cases, make references to further Chapters where recommendations are included.

A. Audit Opinion

An adverse opinion for eight years should have flagged concerns to both the Provincial Board and the Provincial Government. Certainly, steps should have been taken during that period to ensure the areas of concern expressed by various Auditors General were both faced and corrected.

The denial on the March 31, 1991 audit was, of course, totally unacceptable and was one of the key reasons for the appointment of the Review Committee.

The Financial Statements have, for some time, been prepared on a consolidated basis which ordinarily would call for the inclusion of all transactions of the 105 Local Libraries. However, as the Auditors General noted, not all were included.

Because they were not, the Auditors General have, over the years, given eight adverse opinions and one denial.

The Board and the Review Committee both recognize the present accounting system does not provide even minimal internal controls to ensure complete and accurate information relative to the Local Libraries, thereby making these entities virtually unauditible.

Treasurers of Local Boards are all volunteers with little accounting expertise, and any complicated system of accounting and reporting will probably meet with resistance. However, the Board should introduce basic procedures that will provide internal controls for the Local Library Boards.

It should be noted that funds raised by Local Library Boards are not, by legislation, the property of the Provincial Board (see C (1) to follow). Its inclusion in consolidated Statements distorts both the working capital and deficit positions of the Provincial Board.

The Review Committee has had discussions with the Auditor General on the possibility of having non-consolidated Financial Statements for audit, and consolidated Statements for internal use and for presentation to the Provincial Board, and awaits a response.

The Board wrote the Department of Justice for a legal opinion on the subject but a response has not yet been received.

Other Agencies of Government could, in the opinion of the Review Committee, have similar problems with consolidated vs non-consolidated audited statements.

RECOMMENDATIONS

1. **Non-consolidated annual Financial Statements be prepared for audit, and consolidated ones be prepared solely for internal use and presentation to the Provincial Board.**
2. **If unqualified opinions are not received from the Auditor General, both the Provincial Board and the Department (a) take immediate steps to investigate the reasons and (b) ensure corrective actions are implemented.**
3. **Cabinet issue Directives to those Departments having agencies, such as the Provincial Public Libraries Board, reporting to them, calling for timely audits, reviews of all annual Financial Statements and in the case of qualified opinions, investigations of the reasons and reports on corrective actions being taken.**
4. **A handbook of simplified accounting and reporting procedures be prepared for all Local treasurers.**

B. System of Internal Control

This area ties in with Financial Accounting and Reporting (Section C) and therefore will be covered under that heading which follows.

C. Financial Accounting and Reporting

The Provincial Public Libraries Board is, when compared to Provincial Government Departments and many other agencies, a minor entity, with a Budget of only about \$6 million and a staff of approximately 230.

Ever since 1982, financial accounting and reporting have been very lax.

A review of the Report of the Public Accounts Committee of the House of Assembly on the Board's financial status for the year ended March 31, 1989 disclosed the Auditor General had reported on serious accounting deficiencies and internal control weaknesses since 1983.

Officials of the Auditor General's Department told the Public Accounts Committee that with respect to the contention of Library Board Officials that on September 11, 1990 additional resources would be required to implement the Auditor General's recommendations, the Department felt these could be implemented with the existing staff complement as many of the procedures were being attempted but being done incorrectly.

The Auditor General's report for the year ended March 31, 1991 showed the deficiencies and weaknesses still existed. These clearly indicate, in the opinion of the Review Committee, a lack of control within the Provincial Public Libraries Board. The Review Committee saw no evidence to rectify accounting deficiencies and internal control weaknesses, or to apprise the Provincial Board of issues.

On the Local Library Boards level, the Auditor General in her report on the Provincial Board for March, 1991 stated the latter's Financial Statements did not include all transactions of the Local Libraries. She noted annual financial reports of the Local Libraries were prepared on a cash basis only.

1. Cash

- The Provincial Public Libraries Board Regulations state all monies raised by a Local Board shall be used towards the operation of the Local Library, and such funds do not form part of the general funds of the Provincial Board.

The manner of presentation of these funds in the Financial Statements of the Provincial Board gives misleading information on both working capital and the deficit, as is evidenced by the following table:

(a) **CURRENT ASSETS INCLUDE FUNDS OF LOCAL BOARDS**

March 31, 1991

CURRENT ASSETS:

Petty Cash	\$ 1,575.
Funds held by Locals	622,668.
Receivables	3,480.
Prepaid Expenses	<u>205,654.</u>
*	833,377.
Capital Assets	7,032,476.
	<u><u>\$7,865,853.</u></u>

***Working Capital**

Current Assets	\$833,377.
Current Liabilities	<u>789,110.</u>
Working Capital Surplus	\$ 44,267.

CURRENT LIABILITIES:

Bank Overdraft	\$ 394,897.
Payables and Accruals	357,402.
Due to Province	36,811.
	<u>789,110.</u>
Deferred Revenue	46,200.
Due to Province	36,811.
Unexpended Portion	
Capital Grants	16,745.
Investment in Capital	
Assets	7,032,476
Deficit	<u>(55,489)</u>
	<u><u>\$7,865,853.</u></u>

(b) **CURRENT ASSETS EXCLUDE FUNDS OF LOCAL BOARDS**

March 31, 1991

CURRENT ASSETS:

Petty Cash	\$ 1,575.
Receivables	3,480
Prepaid Expenses	<u>205,654.</u>
*	210,709
Capital Assets	7,032,476.

\$7,243,185.

CURRENT LIABILITIES:

Bank Overdraft	\$ 394,897.
Payables & Accruals	<u>357,402.</u>
Due to Province	<u>36,811.</u>
	789,110.
Deferred Revenue	46,200.
Due to Province	36,811.
Unexpended portion	
Capital Grants	16,745.
Investment in	
Capital Assets	7,032,476.
(Deficit)	<u>(678,157)</u>
	<u>\$7,243,185.</u>

*Working Capital

Current Assets	\$210,709.
Current Liabilities	<u>789,110.</u>
Working Capital Deficit	(\$578,401.)

The presentations of Working Capital and Deficit will not be misleading if non-consolidated statements are used in the future.

- Bank Reconciliations had not been performed on a timely basis for years. At times, these were up to ten months in arrears. Corrective action has been taken in calendar 1993 so that reconciliations are now up to date. **THEY MUST BE DONE MONTHLY IN THE FUTURE.**

2. Capital Leases

A review of all leases will be done by Board staff. Leases must be recorded and disclosed in accordance with generally accepted accounting principles.

3. Severance Pay and Unused Annual Leave

The information has now been updated **AND MUST BE KEPT CURRENT.**

4. Capital Assets

- (a) Some of the valuations, supplied by Local Boards, for land and buildings, were actual while others were estimates. In some cases, insured values were used as estimates for buildings. It would be quite costly to have properties appraised by registered appraisers. However, the Provincial Board may be able to make

arrangements with the Department of Municipal & Provincial Affairs whereby the latter's appraisers, as they perform appraisals in Municipalities throughout the Province, could give at least estimated values of library properties.

- (b) The Act states "Real Property acquired by a Board, whether by purchase, gift, bequest or otherwise, shall be held in trust and administered for it by the Provincial Board".

RECOMMENDATIONS

5. A Fixed Asset Subledger be maintained

- 6. The Provincial Board immediately ensure all properties owned by Local Libraries are properly recorded and documented, with copies of the related title deeds kept in the Provincial Board's Administration Offices.**

D. Legislative Compliance

1. The Public Tender Act

Mandate (b) of the Review Committee calls for a review of the Report of the Government Purchasing Agency concerning purchasing practices of the Libraries Board in relation to the Public Tender Act.

That report, dated August, 1992, has a bearing on the Auditor General's concerns on the Board's non-compliance with the Act. Therefore the Review Committee's report on the Act will be covered by a separate chapter entitled "The Public Tender Act". See Chapter V.

2. Debt Obligations

The Auditor General's concern relates to the debt on the new library building at Stephenville.

In order to properly record the results of its investigations, the Review Committee covers this subject in a separate Chapter entitled "The Stephenville Library-Kindale II Inc." See Chapter IX.

E. Other

1. Control Over Budget

A major concern of the Auditor General was the lack of control over both the Budget and the Deficit. She recommended the Board take immediate steps to address its deficit and related bank overdraft.

Again in order to properly record the results of its investigations, and also to give an update on the status, to March 31, 1993, of both the deficit and bank overdraft, the Committee's report is shown separately in Chapter VIII - "Deficit and Overdraft".

2. Financial Management

Mandate (c) calls for a general review of the organization and management structure. "Financial Management" is covered in a separate chapter so no further comment will be made here. See Chapter VI - "Organization and Management".

CHAPTER V
SECTION (b) OF THE MANDATE
REPORT ON THE PUBLIC TENDER ACT

INTRODUCTION

THE ACT

Section 3(1) states "Where a public work is to be executed ... or goods or services are to be acquired ... the Government funded body shall invite tenders for the execution or acquisition".

Section 3(2) states "Notwithstanding subsection (1), the Government funded body is not required to invite tenders:

- (a) Where the estimated cost of the work or acquisition is not more than \$5,000.
- (b) Where the estimated cost of the work or acquisition is equal to or less than \$30,000; and it appears to the head of the Government funded body that in view of the nature of the work or acquisition, it is not advisable to invite tenders.

Section 9 states "Where a tender is not required to be invited because of paragraph 3(2)(a) or (b), the Government funded body shall

- (a) Obtain prices from at least three legitimate dealers... or by reference to trade catalogues or price lists...
- (b) Establish for the circumstances a fair and reasonable price..."

Section 10 requires that a Government funded body not tendering, for reasons as allowed under sections 3 and 4 of the Act, must inform the Minister of Works, Services and Transportation of any such instances so that they may be included in the Minister's report tabled in the House of Assembly.

THE AUDITOR GENERAL

For some time, the Auditor General has had problems with the purchasing practices of the Public Libraries Board, especially as they relate to the provisions of the Act.

For instance, the audits for the years ended March 31, 1989, 1990 and 1991 disclosed purchases of vans, computer equipment, office furniture, books and periodicals that did not, in the opinions of the Auditors General, comply with the Act. Furthermore, the Minister of Works, Services and Transportation was never informed, as required by section 10 the Act, of instances where tenders were not called.

MANDATE OF THE REVIEW COMMITTEE

To review the Report of the Government Purchasing Agency concerning purchasing practices of the Libraries Board in relation to the Public Tender Act.

GOVERNMENT PURCHASING AGENCY'S REPORT - AUGUST, 1992

The review by the Agency was initiated at the request of the Department of Works, Services and Transportation. Primary focus was placed upon the acquisition of library books, but also extended to other procurements.

The following areas were analyzed:

(a) Office Supplies, etc.:

1. Purchase Orders often did not indicate the price of the item or reference a request for price quotations. This practice resulted in incorrect prices charged by suppliers.
2. Common item requirements for the Regions were compiled at the Provincial Office. Price quotations were invited for individual items instead of tendering for the package as a whole.

(b) Books and Periodicals:

1. Each Region was responsible for both the selection of books and the preparation of the required Purchase Orders. All such Orders were sent to the Technical Services Department of the Provincial Board for processing. At its discretion, Orders were then sent to a dealer.

Three main dealers were patronized on a consistent basis, and the Auditor General noted the following purchases during Fiscal 1991:

Nicholas Hoare Ltd.	\$364,706.
Canesco Subscription Services	105,862.
MacLean Hunter Library Services (Now National Book Services)	97,493.

Newfoundland publications were purchased from local companies.

2. Weekly Book Orders:

Books were generally ordered once a week but occasionally more frequently. Since each title purchased had a separate Purchase Order, a single order never exceeded \$5,000. Thus, each purchase fell within the exemption outlined in Section 3(2)(a) of the Act, so no tender was called.

3. Dealer Discounts:

Purchase Orders were prepared from dealers' catalogues which listed both titles and the corresponding "Publishers List Prices". The dealers, in turn, offered discounts off these list prices. However, the discounts offered were not known to Technical Services until the invoices were received. As a result, the list prices stated on the invoices exceeded the catalogue list prices as shown on the Purchase Orders 60% of the time. In addition, the dealers list prices, less discounts, often exceeded the catalogue list prices.

4. Freight Charges:

In order to obtain a fair and reasonable price, freight charges had to be considered in addition to the book purchase prices. Freight charges were billed by both Nicholas Hoare and National Book.

The Agency's report noted that the cost of delivery should have been the determining factor in deciding which vendor offered the lowest price.

5. Delivery Service:

The Provincial Board's Management stated the ultimate reason for directing orders to Nicholas Hoare and National Book was their reliable and consistent service.

The Agency's investigations showed a local dealer was able to provide better expediency in the delivery of books.

6. Standing Orders:

These are arrangements made with various publishers and dealers to supply specific library books on a continuous basis. Material included yearbooks, almanacs and annuals. No tenders were called.

CONCLUSIONS OF PURCHASING AGENCY

(a) Office Supplies, etc.:

The Agency made several recommendations to improve the system.

(b) Books and Periodicals:

The Agency stated Library Services was not obtaining fair and reasonable prices.

It recommended the following:

1. Policies and procedures be established to ensure fair and reasonable prices are obtained.
2. Weekly requirements be combined and
 - (a) If the total exceeds \$5,000, then tenders be called.
 - (b) If the total is \$5,000 or less, three price quotations be obtained or a fair and reasonable price be established.
3. Tenders be called for the services of a jobber who would provide books at a delivered price less a firm percentage discount off the publishers' list prices.

REVIEW COMMITTEE'S COMMENTS

In 1987 the Provincial Board sought a ruling from the Department of Justice on the application of the Public Tender Act re the purchase of library books on a regular and ongoing basis. Justice finally suggested in 1991 that since each title purchased had a separate and unique Purchase Order, these purchases were exempted by section 3(2)(a) from Public Tender requirements. However, Justice further suggested the Board consider publicly advertising the "service" it was receiving from book jobbers.

The Library System in Newfoundland and Labrador is unique, not like any other in Canada. The Review Committee did check with three other Provinces and found they do not call tenders on books. One deals mainly with one jobber while the other two deal with several. Service and fair prices are standard criteria.

One jobber, Baker and Taylor, is used by two of the three Provinces. The reason given by the Provincial Board Management for not using that firm was it is not Canadian.

The Review Committee is surprised over the facts (a) the Board dealt primarily, over the years, with one jobber, Nicholas Hoare on books, and (b) no tenders were called. Also the Committee sees no worthwhile reason for submitting Purchase Orders based on one title for each, except perhaps to circumvent the requirements of the Act. Surely it would have been easier and more cost effective to submit Master Purchase Orders covering many titles, even if it meant submitting them less often than weekly.

While excuses, including the 1991 response from Justice, can be given for not calling tenders on books, the Review Committee saw, through its investigations, no acceptable reasons for not complying with The Public Tender Act on the other items raised in both the Government Purchasing Agency's Report and the Auditor General's Reports on the audits of recent years.

SUBSEQUENT EVENT

The Provincial Public Libraries Board recently called tenders for the services of a book jobber so the concerns expressed over the book purchasing policy vis-a-vis The Public Tender Act should now be put to rest.

RECOMMENDATION

7. **The Board implement proper controls and procedures to ensure compliance with The Public Tender Act.**

CHAPTER VI
SECTION (c) OF THE MANDATE
REPORT ON ORGANIZATION AND MANAGEMENT

INTRODUCTION

The Auditor General's report recommended "The Provincial Board review its present organizational structure, and, in consultation with the Department of Tourism and Culture, determine the additional human resources necessary to ensure all financial issues of the Board are properly addressed".

This Chapter will relate to this recommendation and also subjects that, in some cases, were referenced to in other Chapters. For instance, "Financial Management" is referred to in Chapter IV.

ORGANIZATION

PROVINCIAL PUBLIC LIBRARIES BOARD

Headquartered in St. John's, the Provincial Board provides a variety of services, including financial, to 7 Regional offices and 105 Local Libraries.

The Libraries system in Newfoundland and Labrador differs from most other areas of Canada where virtually all libraries are owned and financed by either Municipalities or Counties/Townships.

Despite such problems as the deficit and the overdraft, both of which are a reflection on the lack of Board and Management controls, the Provincial system has worked.

It is doubtful that a Library System based solely on Municipal financing would have worked successfully in this Province. Many Municipalities are in small communities which have very limited financial resources because of low tax bases, and are struggling to provide the basic services demanded by their citizens. Many Librarians feel most Municipalities would give a Municipal owned Library System a very low priority. Certainly if the degree of financial support currently provided by some Municipalities is any guide, many Local Libraries would have to close if Municipal funding were the only source of revenue. Also, coordination between Municipal owned Libraries would be difficult to achieve.

The Board's budget has grown to approximately \$6 million with the amounts spent on books decreasing annually while salaries continue to remain at high levels. Although the Review Committee has been unable to compare, from the data supplied to it by management, the amounts spent annually on Administration (Head Office and Regional Offices) vs Local Libraries, it feels confident in stating by far the greater amount goes to the former.

The following comparisons are worthy of note:

<u>Fiscal</u>	<u>Books as % Budget</u>	<u>Salaries as % Budget</u>
1990	12.3	67.0
1991	12.5*	70.0
1992	11.6*	72.5
1993	7.8	73.6
1994	8.8	71.5

*In both 1991 and 1992 Government gave an extra \$100,000 grant for book purchases.

One of the primary purposes of a Library System should be the provision of good and up to date reading materials to its customers. This has not been happening in recent years because of budget allocation decreases, and as a result many Libraries claim they receive very few new books.

A complete review by the Board of its organizational structure is long overdue to not only ensure the system works efficiently within budget constraints, but also provide a better service throughout the Province.

The following comments, suggestions and recommendations on the different aspects of the organizational structure should be of assistance to the Board in its review process.

PROVINCIAL BOARD APPOINTMENTS

The Board is presently comprised of 7 representatives of the Regional Library Boards including St. John's and up to 8 others appointed by the Lieutenant Governor in Council.

In light of the concerns of the Auditor General and in the opinion of the Review Committee, Government should ensure that several of its 8 appointments have accounting/financial expertise. Also included in the 8 should be a senior official of the

Department of Tourism and Culture and the Act will have to be amended to make this a provision.

The terms of two Board members expired on March 31, 1993 and have not yet been reappointed. **ALL APPOINTMENTS SHOULD REMAIN IN PLACE UNTIL NEW APPOINTMENTS ARE MADE.**

REGIONAL BOARDS

In the Province there are 7 Regions including St. John's. While many Provinces have reduced their Regions in recent years, no action has been taken here.

A Regional Board operates within the Public Library System to provide library materials, information and programs to the public through the Locals under its supervision. Regional Boards also provide staff development and inter library loan services to these Libraries.

Today with modern highway connections, Regional staff can travel substantial distances to Local Libraries so there is no sound argument to maintain the full existing Regional System.

If the number of Local Libraries is reduced (see following section), then the argument to change the Regional System is further strengthened.

RECOMMENDATION

8. **The Provincial Board review the Regional System and reduce the number of Regions to three:**

<u>Region</u>	<u>Local Libraries Under Supervision</u>
Eastern	All those now in St. John's, Avalon and Bonavista-Burin. 5 21 11 2 21
Central	All those now in the Central and Gander Regions. 14 18 = 31
Western-Labrador	All those now in the Western and Labrador-Northern Regions. 22 9 31

Notes: 1. There may need to be some movement of Locals within the three Regions for geographic purposes. Also some existing Locals will be closed - See Section "Local Library Boards".

2. Lease arrangements on existing Regional Offices are:

Avalon	Lease expires 8/95 Annual rent - \$19,909.
Bonavista - Burin	Lease expires 6/94 Annual rent - \$13,200.
Central	Lease expires 6/95 Annual rent - \$31,250.
Gander	Lease: Free
Labrador-Northern	Lease expires 8/95 Annual rent - \$16,800.
Western	Lease: Month to month Annual rent - \$26,400.

On existing space that will not be used in the future, the Board should endeavour to sublet, especially to Government Departments/Agencies.

3. Leases on such space could affect cost savings during 1994/95.

RECOMMENDATIONS

9. By reducing the number of Regions to 3, the estimated annual net savings would be in excess of \$500,000. Such an amount be maintained in the Board's annual budget allocation to be used to liquidate the overdraft, purchase more books, improve Local Library premises, etc.
10. The Regional representation on the Provincial Board be increased from one to two per Region, as a result of the reduction in the number of Regions.

LOCAL LIBRARY BOARDS

Number of Local Boards:

There are 105 Local Libraries throughout Newfoundland and Labrador.

The wisdom of having Libraries in so many adjoining towns has to be questioned. In this day and age of both fiscal restraint and easy travel, it makes no sense to continue the practice of having Libraries in approximately 100 communities, many of which have low registrations. (See Appendix II.) Also some of these communities are so close that the Municipal boundaries virtually overlap - it's difficult to know when you are in one and out of another.

This raises the question of why more Local Libraries do not amalgamate. The excuse given is some Regional Boards are not anxious to make the necessary recommendations. However, it should be noted both Western and Gander Regions have already taken steps to amalgamate or close a few Locals.

On March 4, 1993, the Review Committee recommended to the Minister of Tourism and Culture that he request the Provincial Board develop a plan to address what appears to be excessive numbers of Regional and Local Libraries Board, reporting their recommended course of action to him by September 1, 1993.

The Board acted promptly on this recommendation, advising the Minister in May that in order to deal with its budgetary shortfall and to make reductions in the overdraft, it would close 12 Local Libraries by June 30.

On May 20, 1993 Cabinet approved the following:

"Pending such report (Review Committee's Report), no specific action is to be taken by the Board in respect of measures to address its financial difficulties, and in particular, at this time there is to be no provision, within the Budget of the Board for repayment of a portion of its accumulated deficit during the current fiscal year."

This delay has caused confusion and concern to the Provincial Board and many staff members. Cost savings from any closures will, in 1993/94, now be limited to 6 months instead of 9 as planned, so the effect on budget will be marginal.

The reduction in the numbers of both Regional and Local Boards is, in the opinion of the Review Committee, long overdue. Such reductions are a rationalization of Library Services for the long term and would be recommended by the Committee even if the present budget problems did not exist.

RECOMMENDATIONS

11. **Cabinet immediately give approval to the Provincial Board to close the 12 Local Libraries already designated for such action. The Board estimates an annual savings of \$290,000 should be achieved by closing 12 locals.**
12. **The Provincial Board continually review the Local Libraries and close those that are not being utilized to a reasonable degree.**

Local Premises:

- (a) Many Libraries are housed in premises that were not designed to provide good service. Space for shelving and racking is limited so that reading materials are not properly displayed.

The Review Committee has not seen any evidence to indicate the Provincial Board has ever had, in recent years, any plan to upgrade Local Libraries. New Library buildings have opened, on the initiative of Local Boards, and Capital Grants, payable over 5-6 years, have been provided by the Provincial Board, which in turn gets an annual Capital Budget from Government. The argument is made that because of these commitments, Capital funds are not available for a major upgrading plan for Local Libraries.

RECOMMENDATION

13. **The Provincial Board immediately commence a review of all Local Libraries that need upgrading. This review can be carried out by the Regional staff. Upon its completion, a 5 year plan, prioritizing the Libraries to be upgraded together with costs, should be approved and discussions held with Government on a financial plan to implement the required work. Local Boards should be required to raise a portion of the costs through community fund raising projects.**

- (b) Many Local Libraries occupy space provided by Municipalities. Although most space is rent free, there is a variety of agreements/understandings on costs such as utilities, maintenance and snowclearing. There is therefore no fairness in the present system.

If Municipalities want the Local Libraries to exist in their communities and perform efficiently, then they must provide a standardized level of support. Two ways are to supply free space, which many are already doing, and to cover costs such as utilities, maintenance and snowclearing.

As indicated in Chapter III, most Libraries across Canada are owned and operated by Municipal Governments. There is no sound reason for Municipalities in the Province of Newfoundland not to be involved, to some reasonable degree, in providing financial assistance to Local Library Boards.

The Review Committee is concerned that very few leases on Local Library space have been entered into. In order to ensure ongoing occupancy of space and to spell out the responsibilities of all parties, leases should be entered into. This is imperative on space where Provincial Board Capital Grants are provided in the construction and/or acquisition of buildings.

RECOMMENDATIONS

14. **The Board prepare a standardized policy on Municipal support through free lease space and services, and negotiate with the Municipalities on its implementation.**
15. **Leases be entered into on all Local Library space throughout the Province, where necessary.**

Operating Grants:

There appears to be no equitable system of approving such grants. Four Locals received no grants in fiscal 1992 while 36 others received less than \$1,000. There are several cases, in the same year, of grants given to Libraries which had very large cash balances.

As reported in previous Chapters, funds raised by Local Boards are not available, by Regulation, to the Provincial Board. It makes no sense, in the opinion of the Review Committee, to pay, in one case, \$11,616 in grants to a Library which had \$53,868 in a bank account while other Libraries, with little cash but probably many requirements, get less than \$1,000 each in grants.

RECOMMENDATION

16. **The Provincial Board re-examine its Operating Grant policy in order to put in place a more equitable system.**

Local Funds:

As at March 31, 1992, Local Board funds totalled \$570,865, none of which, by Regulation, was available to the Provincial Board.

Many Locals raise funds for proposed Capital Works Projects such as new facilities and equipment. The Review Committee recognizes that to tamper with the existing arrangements could take away the fund raising incentives of the Local Boards.

However, all Local Library Boards, being part of the overall Library System, will surely want to assist the Provincial Board through the current period of fiscal restraints. Those with substantial cash balances will not, the Review Committee suspects, be upset if, over the next couple of years, their Operating Grants are reduced or, in some cases, eliminated.

RECOMMENDATION

17. **The Provincial Board have open and frank discussions with Local Library Boards on the subject of Operating Grants. Those which hold little or no fund raising activities, be encouraged to solicit the financial support of their communities including Municipal Governments. Matching grant incentives with cap limits should be considered.**

VOLUNTEER LIBRARIES

Care has to be taken in closing Local Libraries that the communities affected not be encouraged to open Volunteer Libraries. Local Libraries should be closed for the reasons outlined under the heading "Local Library Boards", and all materials returned to the Provincial Board.

RECOMMENDATION

18. **For the good of the whole Library system, it should not be fragmented so the Provincial Board must be firm in not bowing to pressure to recognize Volunteer Libraries in any communities scheduled for Local Library closings.**

JOINT SERVICES

The Review Committee encourages the School/Public Library System and feels the number can be greater than the 13 now in existence.

RECOMMENDATION

19. **The Board enter into negotiations with the Department of Education and School Boards on the provision of further Joint Services.**

PROVINCIAL GOVERNMENT

Through annual grants of approximately \$6 million, Government covers 96% of the Provincial Board's budgets. It also provides Capital Grants, most of which go to commitments made by the Board on new library premises.

In years leading to 1992, when Government reorganized its Departments, the Public Libraries Board reported to the Department of Municipal and Provincial Affairs. Since then it comes under the umbrella of the Department of Tourism and Culture. However, the Review Committee feels the appropriate Department should be Education.

The Provincial Board reported to an executive member in the Department of Tourism and Culture whose responsibilities included;

1. With limited direction, assisting the Minister and Deputy Minister in dealings with, amongst others, the Public Libraries Board, to promote resolution and facilitate improved co-operation.
2. The funding requirements of the Public Libraries Board are direct responsibilities.
3. The incumbent is generally responsible for liaison and advice to the Public Libraries Board.
4. Under "Specific Accountabilities" - The incumbent ensures the Department's Boards and Agencies budget and expend financial resources in accordance with Department policy and the financial management and administrative requirements of Government.

The Minister of Tourism and Culture should issue to the senior official, specific written guidelines on his/her responsibilities on the Provincial Libraries Board, and the related Job Description should be amended to cover these duties. Ideally, that person should be appointed a member of the Board.

As indicated earlier in this Chapter, Government should ensure several of its 8 appointments to the Provincial Board have accounting/financial expertise. Also included in the 8 should be the official of the Department of Tourism and Culture mentioned above.

There is some evidence that when the Board denied funding for new library premises, Town Councils would approach the Department of Municipal and Provincial Affairs for permission to construct these buildings. This back door approach must cease immediately.

The Provincial Board should be the sole decision maker on new premises, and also on the formation of new Local Library Boards. It should seek approval and ratification of Cabinet on its decisions before any commitments are entered into by the Board.

Copies of all Board minutes should go to the Minister. At the suggestion of the Review Committee, the Minister has already taken action on this matter.

The Review Committee feels the Library System is more closely related to the field of education than to either tourism or culture, and therefore it strongly believes the Provincial Public Libraries Board should report to the Department of Education.

Earlier in this Chapter, the Committee encourages the School/Public Library System (Joint Services). An increase in the number of libraries presently in this system can undoubtedly be accomplished faster if the Board reported to the Department of Education and not to the Department of Tourism and Culture.

RECOMMENDATIONS

20. The Provincial Board make no commitments on the formation of new Library Boards or on new capital expenditures without first getting the approval and ratification of Cabinet.
21. The Assistant Deputy Minister or some other senior official of the Department of Tourism and Culture be appointed to the Provincial Board.
22. Government ensure several of its 8 appointments to the Provincial Board have accounting/financial expertise.
23. The Provincial Public Libraries Board report to the Department of Education, not the Department of Tourism and Culture. This will necessitate, of course, substituting the Departments in some of the recommendations and suggestions throughout this Report.

MANAGEMENT

INTRODUCTION

In fiscal 1992, the Provincial Board sent a request to the Organization and Management Division of Treasury Board to undertake a review of the Human Resources in Administration in order to determine whether the Provincial Board had the resources to comply with the Auditor General's recommendations.

The Auditor General's recommendation was that "The Public Libraries Board review its present organizational structure, and, in consultation with the Department of Tourism and Culture, determine the additional human resources necessary to ensure all financial issues of the Board are properly addressed".

On April 30, 1993 Treasury Board was again asked to complete an organizational review including the number of positions required to carry out the functions of the Board.

To the date of the Review Committee's Report, no action had been taken by either the Organization and Management Division of Treasury Board or the Department of Tourism and Culture on the Review. This lack of action is the basis of a recommendation to follow.

RECOMMENDATION

24. Treasury Board be directed by Cabinet to assign high priority to carrying out an organizational review of the Provincial Board Head Office staff.

PROVINCIAL DIRECTOR

This post has been vacant since March 31, 1993.

A new Position Description has been prepared, and ads soliciting applications for the post have been placed. Required qualifications include a Masters Degree in Business or Public Administration, or a joint degree of Masters in Library Science/Business Administration supplemented by related experience in the administrative/management field.

In view of what has happened in recent years on deficits and overdrafts, it is imperative to have a Provincial Director who has financial/accounting skills.

The Deputy Director's duties, as outlined below, plus those of Department, Division and Regional Heads should allow the Provincial Director's duties to weigh more heavily on the fiscal side.

Also, it is imperative the Provincial Director take a more active part in Public Relations including selling library services and needs to the general public and to all levels of Government.

DEPUTY PROVINCIAL DIRECTOR

This officer, according to the existing Job Description, is required to bring effective administration to the Public Libraries in the Province through responsibilities and duties relating to the Regional System and personnel management for all employees.

FINANCIAL ADMINISTRATOR

This position is accountable for the development, implementation and maintenance of Financial Administration Programs for budgets, expenditure control and accounting for revenue and costs.

The incumbent has been in that position since 1981.

It should be noted that adverse opinions had been issued by Auditors General for every fiscal year since 1982-83, with a denial for the year ended March 31, 1991. Almost all of the concerns stressed in the latest Auditor General's report relate to problems in the financial management area including lateness of bank reconciliations, lack of control over budgets, unsatisfactory financial statement reporting, and so on.

The incumbent had claimed for some time that sufficient human resources were not available to handle the workload. However, the Review Committee feels that such resources have probably always been available but duties have not been properly assigned.

OTHER

Many Board and Regional staff complained to the Review Committee they did not have real opportunities to air their opinions and ideas on a number of topics that, they felt, would have improved Library services. They were always left with the impression management knew what it was doing and did not welcome advice.

RECOMMENDATION

25. The Provincial Board set up a plan to welcome opinions and ideas from all staff.

AUTOMATION

In this day and age of computer technology, the Board should form a Committee of Board and Regional staff to prepare a long range plan on automation, bearing in mind, of course, Government fiscal restraints may be in effect for some time to come.

CHAPTER VII
REPORT ON (d) OF THE MANDATE
BOARD'S DECISION TO CLOSE LIBRARIES TEMPORARILY

The Board, as a cost savings measure, closed the whole Library System for the weeks of August 30, 1992 and November 29, 1992.

Recognizing it would have difficulty in living within the 1992/93 Operating Budget, the Board took steps in April, 1992 to bring the Budget in line with the Government grant.

Four options were prepared by Management and considered by the Board.

OPTION 1

- A. Close down the System for two weeks - Estimated savings \$164,505.
- B. Each Region/Department reduce its budget by 2.5% - Estimated savings \$155,422.

Total savings of Option 1 - \$322,927.

Effects

- Cover the Budget shortfall of \$229,969.
- Cover final payment of the early voluntary retirement commitment of \$33,000.
- Provide for substitute pay for annual and sick leaves - \$56,958.

OPTION 2

Each Region/Department reduce its budget by 5% - Estimated savings \$304,845.

Effects

- Cover the budget shortfall of \$229,969.
- Cover final payment of the early voluntary retirement commitment of \$33,000.
- Provide for substitute pay for annual and sick leave - \$41,876.

OPTION 3

- A. Close ten Libraries in the System. Savings would be:

Salaries	\$120,000.
Operating Grants	10,000.
Book Budget	<u>50,000.</u>
	<u>\$180,000.</u>

- B. Close down the System for two weeks - Estimated savings - \$140,000.

Total savings of Option 3 - \$320,000.

Effects:

- Cover the Budget shortfall of \$229,969.
- Cover final payment of the early voluntary retirement commitment of \$33,000.
- Provide for substitute pay for annual and sick leave - \$57,031.

OPTION 4

- A. Each Region/Department reduce its budget by 2.5% - Estimated savings - \$152,422.
- B. Lay off staff (approximately 8) for a savings of \$167,505.

Total savings of Option 4 - \$319,927.

Effects:

- Cover the Budget shortfall of \$229,969.
- Cover final payment of the early voluntary retirement commitment of \$33,000.
- Provide for substitute pay for annual and sick leave - \$56,958.

During its investigations, the Review Committee could find no worksheets to justify the indicated savings and it notes the savings projected for the same actions, under different options, are inconsistent.

The Board made the following decisions:

- Option 2 would have meant severe hardship for staff, and severely hurt Local Libraries.
- Option 3 was put on hold because the timing was not right. The Board did not wish to add to the unemployment numbers.
- Option 4 was declined, again because the Board had concerns over layoffs.

At its April 23, 1992 meeting, and based on the information in support of all four options as supplied by Management, the Board decided to go with Option 1 and on April 28 wrote the Honourable William Hogan, Minister of Municipal & Provincial Affairs, to that effect. At the time the Board came under the umbrella of that Department. In that letter, the Board outlined two other steps to be taken:

- (a) Each Region/Department would be asked to reduce its budget by a further 2.5%.
- (b) No funds would be provided for replacements when staff were on annual and sick leaves.

In its November 4, 1992 letter to Honourable James Walsh, Minister, Department of Tourism and Culture (under a recent reorganization, the Provincial Public Libraries Board was transferred to that Department's umbrella), the Board stated:

"The Provincial Board considered proposals which included closing one day per pay period for five pay periods. However, this was not possible under the Collective Agreement, and to do so would have contravened the agreement resulting in grievance and possible arbitration from the Union. The Board felt it had no alternative but to proceed with the closure in December as originally planned. Our Budget does not permit us to do otherwise."

CONCLUSION OF THE REVIEW COMMITTEE

The Board decided, in good faith, it had the right to make a decision. The Committee has, through its investigations, seen no evidence of ulterior motives in the decision to go with Option 1.

RECOMMENDATION

26. Management retain, for the terms outlined in the Archives Act and its Regulations, all worksheets that pertain to financial information supplied to the Board and on which the latter has to make decisions, e.g. options to control budgets.

CHAPTER VIII DEFICIT AND OVERDRAFT

INTRODUCTION

Refer Chapter IV - Report on Auditor General's Comments. Under E(1), "Control Over Budget", it was stated the Auditor General recommended the Board take immediate steps to address its deficit and related bank overdraft.

Chapter VIII, then, relates solely to these two subjects.

DEFICIT

CONTROL OVER BUDGET:

Senior Management of the Provincial Board prepares an annual budget, which in turn is reviewed and revised, where deemed necessary, by the Finance Committee. It then is recommended to the Provincial Board for approval and submission to the Department of Tourism & Culture.

The latter has the right to change the budget before including it in its Global Budget Estimates presentation to Government. The overriding approval comes, of course, from the House of Assembly.

Once the final approval is given, the Provincial Board is notified. The Board's primary source of revenue is Provincial Government Grants (96% for Fiscal 1992). Like any Government Department, Agency or Crown Corporation, the Board is expected to live within its budget.

Unfortunately, the Board has operated at deficit levels, or simply put, exceeded its budgets, for five of the last six years.

The following pages illustrate:

- A. Both budgeted and actual revenues and expenditures, including three major expenditure headings, for each of the six years, and
- B. The deficit levels for the period 1987-1992.

A.

BUDGETS VS ACTUALS (\$'000 OMITTED)

	1987		1988		1989		1990		1991		1992	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
REVENUES												
Government	\$4,600	\$4,600	\$5,024	\$5,024	\$5,482	\$5,482	\$5,865	\$5,865	\$6,195	\$6,195	\$6,000	\$6,000
Other	\$ 20	\$ 113	\$ 20	\$ 164	\$ 20	\$ 212	\$ 24	\$ 251	\$ 44	\$ 265	\$ 33	\$ 244
TOTALS	\$4,620	\$4,713	\$5,044	\$5,188	\$5,502	\$5,694	\$5,889	\$6,116	\$6,239	\$6,460	\$6,033	\$6,244
EXPENDITURES												
Books	\$ 701}	\$ 603	\$ 542	\$ 586	\$ 589	\$ 654	\$ 630	\$ 725	\$ 714	\$ 866	\$ 711	\$ 792
Periodicals		\$ 156	\$ 151	\$ 164	\$ 158	\$ 175	\$ 169	\$ 154	\$ 167	\$ 158	\$ 149	\$ 160
Salaries	\$3,015	\$3,040	\$3,249	\$3,392	\$3,719	\$3,911	\$4,058	\$4,100	\$4,260	\$4,496	\$4,242	\$4,450
Other	\$ 904	\$ 918	\$ 938	\$1,026	\$1,036	\$1,111	\$1,032	\$1,215	\$1,098	\$1,143	\$ 931	\$1,201
TOTAL	\$4,620	\$4,717	\$4,880	\$5,168	\$5,502	\$5,851	\$5,889	\$6,194	\$6,239	\$6,663	\$6,033	\$6,603
Surplus/Deficit (See Notes)		(\$ 4)		\$ 20		(\$ 157)		(\$ 78)		(\$ 203)		(\$ 359)
Expenditure over Budget (See Note 4)		\$ 97		\$ 288		\$ 349		\$ 305		\$ 424		\$ 570

* Taken from draft copy of the unaudited Financial Statements.

NOTES:

1. In preparing Budgets, Management used only nominal amounts for "Other Revenue", e.g. \$33,000 in 1992.
2. Local Library Boards generate revenues from a variety of sources including Municipal Grants, donations and fund raising projects. After deducting expenses such as heat and light, as well as purchases of photocopiers, supplies, etc., the net is retained by the Locals for spending in their own communities. However, the net is included as Other Revenue in the Provincial Public Libraries Board statements. The effect of this method of reporting in the March, 1992 results was as follows:

Source

Municipal Grants	\$136,031.
Donations	26,500.
Photocopies	36,504.
Interest	49,965.
Fines	23,910.
Community Activities	37,243.
Other	<u>30,447.</u>
Less Expenditures	\$340,600.
NET REVENUE	<u>151,356.</u>
	<u>\$189,244.</u>

3. The Provincial Government Grants for Fiscals 1991 and 1992 included \$100,000 each year to cover the purchase of additional books.
4. The following example for Fiscal 1992 shows why the deficit figure differs from that of the Expenditures over Budget figure:

\$000 Omitted

Expenditures over Budget	\$570
Less: Net Revenue from Locals (Note 2)	<u>189</u>
	\$381
Less: Increase in Revenue from other sources: Actual 55- Budget 33 = 22	<u>22</u>
Deficit for 1992 (See Illustration B)	<u>\$359</u>

B.

DEFICIT LEVELS

<u>YEAR END</u>	<u>EXCESS OF EXPENDITURES OVER REVENUES</u>	<u>EXCESS OF REVENUES OVER EXPENDITURES</u>
March 31, 1987	\$ 3,723.	-
March 31, 1988	-	\$19,835.
March 31, 1989	157,277.	-
March 31, 1990	77,425.	-
March 31, 1991	203,778.*	-
March 31, 1992	359,108.**	-

* Does not include an adjustment for Audit Fees of \$36,886 for 1987/88 to 1990/91.

** This figure is taken from a draft copy of the March, 1992 Financial Statements which are now being audited.

NOTE: According to the Regulations, funds raised by the Local Boards remain the property of those Boards and do not form part of the general funds of the Provincial Board. Therefore, if the 1992 Net Revenue of \$189,249 shown in Note 2 of illustration "A" were taken out of the Financial Statements, the actual deficit for that year would have been \$548,357.

The Auditor General stated in her October 19, 1992 report:

"Operating statements prepared monthly on the cash basis of accounting are used by the Board to monitor expenditures in comparison to budget. Such statements are routinely reviewed by the Provincial Director and appropriate committees which include the Finance Committee and from time to time the Executive Committee. In instances where a Region is close to reaching its budget in a particular expenditure category the Provincial Director notifies the Regional head.

There would appear to be a number of control problems related to the process which include:

- (a) As statements are prepared on a cash basis, the Board may not be aware of expenditures incurred but not paid as at the period end;
- (b) The number of Regions/Divisions with purchasing authority complicates the process;
- (c) Expenditures in excess of budget have not been addressed by the Board from a funding perspective; and
- (d) Expenditures are not projected to year end and compared to budget."

Investigations disclosed items that verified the Auditor General's comments. For instance, books could be received in one month but the related invoices, which at times were for substantial amounts, were not disclosed in financial statements until the following month. Thus these statements gave an incorrect picture of the Provincial Board's financial status.

Also, certain expenditures were not properly budgeted for. In the case of salaries, little or no contingency provision was made in the budget by the Board for severance pay and unused annual leave. When an employee left and received legitimate but unbudgeted pay, no attempt was made to offset the amount by cutting costs elsewhere.

The management of the board must take most of the responsibility for the lack of control over budgets. They were the key people not only involved on a daily basis in the operations of the Library System but also responsible for reporting directly to the Provincial Board and its Finance Committee on financial matters.

Such responsibilities included the preparation and presentation of monthly financial reports and year-end financial statements. Unfortunately the former, as reported earlier, were always

prepared on the cash basis of accounting which gave both the Board and its Finance Committee an incorrect impression of living within budgetary limits.

A check of the minutes of both the Board and the Finance Committee showed their first concerns over budgetary controls surfaced in the summer of 1991 but really did not come to a critical point until the following spring when options to reduce expenditures were discussed.

Interviews with certain Board members disclosed most felt dissatisfied with both the financial presentations and the explanations given, but because they had no expertise in financial matters including financial statements, they thought management would automatically take corrective actions, where necessary, to keep within budget limits.

It really was not until receipt of the Auditor General's report of October, 1992 that the Board realized how serious the deficit position really was. Until then, many believed it was around \$100,000.

The deficit as at March 31, 1992 (according to the draft financial statements now out for audit) was \$451,483. However, included in Current Assets is \$570,865 in funds held by Local Boards. Where these funds are not available for use by the Provincial Board, the true deficit as of that date was:

From the Statements	\$ 451,483.
Local Board Funds	<u>570,865.</u>
Actual Deficit	<u>\$1,022,348.</u>

No evidence was seen that Management had, until late in 1992, notified the Regional and Local Boards of a major deficit problem. Many staff and volunteers at Local levels told the Review Committee that they had not been aware of any financial problems until the closing of the total System for two weeks was first announced. Even then many were not aware that deficits had occurred in prior years.

OVERDRAFT

The Public Libraries Act gives no authority to the Provincial Board, the Regional Boards and the Local Boards to borrow funds. The Provincial Director admitted knowing this, but it's not clear that all Board Members were aware of it.

The Financial Statements made available to the Review Committee showed there was no year-end overdraft until March 31, 1990 - \$195,941. It had grown to \$394,897 by March 31, 1991.

One of the first actions of the Review Committee, in February 1993, was to find out the position of the overdraft. The March 31, 1992 financial statements had not been prepared and Management kept giving the Committee different overdraft figures for that date. Also Management could not give any information on the current status. The Committee, therefore, took steps to have staff from the Internal Audit Division of the Department of Finance spend some time at the Board's offices in attempts to (a) get a more accurate picture of the overdraft and (b) implement steps to improve the cash position.

As a result of that action, the process of preparing the March 31, 1992 statements was improved and a draft copy was available for audit by late March, 1993. To the date of this report, the audited statements had not been received, 15 months after the year-end.

The overdraft at March 31, 1992 was \$841,428. While the bank statements showed only \$765,775 (Chapter IV, page 22), the difference represented outstanding cheques.

The overdraft at March 31, 1993 was \$847,621.

At the recommendation of the Review Committee, the bank accounts were frozen on March 31 so the overdraft of \$847,621 remains outstanding.

Two new accounts were opened on April 1, 1993 and the bank was instructed, in writing, not to allow overdrafts.

There are several surprising and alarming items regarding the overdraft that need to be highlighted.

1. The Provincial Director stated that, as late as October, 1992, he thought the overdraft was approximately \$100,000. He claimed he did not know otherwise until he read the Auditor General's Report.
2. There is no clear evidence from the Minute Books that the Board and its Finance Committee knew there was an overdraft.

3. The Canadian Imperial Bank of Commerce allowed the overdraft, even though the Act gave the Board no borrowing powers.
4. Both Management and the Board claim that at no time did the Bank contact them on the overdraft.
5. The Bank included the Provincial Libraries Board in its daily global reports to the Department of Finance on all accounts of Government and certain agencies. There is no evidence to indicate Debt Management ever reported the Board's overdraft to the Department of Tourism and Culture, or to the Board.
6. The Auditor General made no reference in either the March 31, 1991 financial statements or her October, 1992 Report to the fact the overdraft was in contravention of the Act.

CONCLUSIONS

It is quite clear that Management, prior to late in the year 1992, took no steps to control the budget, and thus the deficit and related bank overdrafts. With what appeared to have been an open ended overdraft, the Business Office just kept issuing cheques as if there were no bottom to the barrel.

If either the Bank or Debt Management had questioned the overdraft, the Board would have been pressured into initiating budget controls much earlier than they eventually did. Had that happened, it can be safely assumed the overdraft would not have reached its March, 1993 level of \$847,621.

Also, if at least the members of the Board's Finance Committee had some financial expertise, then they would not have accepted financial statements prepared on the cash basis of accounting. Any decent set of financial statements, including balance sheets, would disclose both a bank overdraft and a deficit.

The Review Committee has considered the option of Government writing off the full amount of the overdraft - \$847,621, but concluded this action could give the wrong signal to the Board and other agencies of Government that have little or no control over their budgets.

RECOMMENDATIONS

27. Government require the Provincial Public Libraries Board to repay the \$847,621 overdraft in equal annual instalments over 5 years.
28. Government implement a policy to better monitor and control global (pooled) bank accounts.
29. Treasury Board receive audited annual financial statements from all Government agencies as part of its annual budget review process.

CHAPTER IX
THE STEPHENVILLE LIBRARY
KINDALE II INC.

INTRODUCTION

The Auditor General in her report (see Chapter IV (D)(2) - Legislative Compliance) stated:

"Based upon limited information contained in files in the Administration Office, it would appear that the Stephenville Local Library Board set up a building committee for a new library in the area. The Committee is known as Kindale II Inc. and is a non-profit liability company incorporated under the laws of the Province. The five shareholders were appointed by the Local Library Board.

Recent correspondence indicated Kindale II Inc. currently has outstanding bank loans of \$299,000.

It would appear that Kindale II Inc. is merely a financing vehicle for the Local Library Board. The Building Committee was set up and the shareholders were appointed by the Local Board. In conclusion, it is my opinion that as the Board has control over the limited liability company, it has incurred a debt obligation.

The Public Libraries Act does not give authority to the Board or any Local Library Board to incur debt obligations."

THE PUBLIC LIBRARIES ACT

In addition to the fact there is no authority for the Provincial Board or a Local Board to borrow, the Act states in section 8, "Real property acquired by a Board, whether by purchase, gift, bequest or otherwise, shall be held in trust and administered for it by the Provincial Board".

Section 27 states "On being established, the Local Board shall be known by the name of the community in which the Local Library is located."

REVIEW COMMITTEE'S COMMENTS

There are three concerns with the Stephenville Library:

1. Instead of being named after the community, section 27 of the Act, it is called "Kindale II". The name apparently derives from the Kinsmen Club, a prime mover of the library, and the Town.
2. The land on which the building is built is registered in the name of Kindale II Inc. According to a note in the financial statements, the assets of Kindale II Inc. will be transferred to the Library Board upon elimination of the existing mortgage.
3. The property is mortgaged to The Royal Bank of Canada to secure a loan which, as of March 31, 1993, had a balance of \$260,083.87.

The first concern can be overcome by an amended Act. Several Local Libraries have names other than those of the communities in which they are located. See Chapter X - The Public Libraries Act for a recommendation.

On concerns 2 and 3, the Provincial Board, in its letter of December 9, 1992 to the Auditor General, stated "We have taken note of the comments and concerns relating to Kindale II library in Stephenville. We were not aware that Kindale II Inc. was borrowing money to complete the project. It was our understanding the Town of Stephenville was financing it and our commitment was to be used to repay the Town".

The Review Committee's investigations disclosed the following:

1. The original written proposal to the Provincial Board showed Kindale II was to be incorporated. Other pieces of correspondence confirmed the incorporation.
2. The financial statements are in the name of the incorporation.
3. The former Provincial Director wrote the Western Region committing \$300,000 of Provincial support over five years, provided Government comes through with annual funds to cover.

4. There is no evidence in the files to show the Board laid down any instructions, or made any enquiry, on title or borrowing. It was assumed the Town would own the property and raise a mortgage.
5. The Provincial Board had not, to the initial start of the Review Committee's investigations, even asked for, let alone seen, copies of the incorporation papers and title deeds, and did not know the names of Kindale's five shareholders. Nor had it seen a financial statement since March 31, 1991.

The Review Committee, through its own initiative, has received a copy of the latest list of Kindale's directors filed under the Corporations Act, and also a copy of the March 31, 1993 financial statement. The latter shows:

<u>Assets</u>		<u>Liabilities</u>	
Current	\$ 4,160.	Royal Bank	\$260,084.
Fixed-Land/Building	<u>698,693.</u>	Equity	<u>442,769.</u>
	<u>\$702,853.</u>		<u>\$702,853.</u>

It is clear the management of the Board took a hands off approach on the new library, leaving the Local Board to set up a corporation to own and mortgage the property, all in contravention of the Act.

RECOMMENDATIONS

30. Any real property purchased or acquired by a Local Board be held in trust and administered for it by the Provincial Board.
31. Copies of the title deeds for all such properties be kept on file in the Provincial Board's Administration Offices.

CHAPTER X
PUBLIC LIBRARIES ACT
PUBLIC LIBRARIES BOARD REGULATIONS

THE ACT

Simply put, the Act is poorly written.

A lot of sections need to be clarified or amended. Many are of a housekeeping variety while on others, the Review Committee has major concerns.

The Committee's work papers on the Act will be turned over to the Board so it is not necessary to list the suggested clarifications and amendments in this Chapter - there are just too many.

Most of the Committee's recommendations and suggestions throughout this report will, if accepted, require changes to the Act.

THE REGULATIONS

Many sections need to be clarified or amended, so, here too, the Committee's work papers will be turned over to the Board.

Changes will also be needed if certain recommendations and suggestions throughout this report are accepted.

RECOMMENDATIONS

The following recommendations are stressed:

32. The Act be administered by the Minister, and a section to cover so added.
33. Section 3(c) of the Act be amended to read "up to 8 other members appointed by the Lieutenant-Governor in Council, one of whom shall be a senior official of the Department responsible for the Board".

37. Subsection (1) of Section 27 of the Act recognize a Local Library does not necessarily have to be named after a community, but the Provincial Board's permission has to be granted.
38. The Board strike a Committee to review and rewrite both the Act and the Regulations. The Committee shall include at least one non-board member with legal background.
39. The revised Act and Regulations be submitted to the Department of Justice no later than March 31, 1994.

CHAPTER XI

SUNDRY SUBJECTS

INTRODUCTION

There are two subjects not properly covered in other Chapters, hence the reason for this Chapter.

A. VOLUNTEERS

The Library System throughout the Province has hundreds of volunteers serving on the Provincial Board, on the 7 Regional Boards and on the 105 Local Library Boards. They give freely of their time and talents, and the System would not work in any efficient way without such commitments.

The commitments of these volunteers probably has been strained by the criticism directed towards the Provincial Public Libraries Board during the past 6-12 months.

Some communities give public recognition to Local Library Board members during "Volunteer Week" but many, unfortunately, do not. The Review Committee feels Library volunteers on all levels should be recognized publicly, perhaps during a special "Public Libraries Week" when particular Government and Municipalities could issue proclamations recognizing and thanking all Library volunteers.

THE REVIEW COMMITTEE WISHES TO SEE THESE PEOPLE ARE PROPERLY RECOGNIZED ON AN ONGOING BASIS.

B. BOOK PURCHASES

Purchases, as a % of budget, decreased to 7.8% in fiscal 1993. Local Libraries are complaining, and rightly so, about the low numbers of new books being received.

The Provincial Government did give the Board special \$100,000 grants for book purchases in both 1991 and 1992 in order to upgrade the collections throughout the System.

The Review Committee feels that through the implementation of many of its recommendations, the Board will have sufficient savings not only to liquidate its overdraft but also to purchase sufficient new books to bring the inventory up to satisfactory levels.

If the illiteracy problem in the Province is solved to any degree, then the demand for new books will strengthen.

The Committee has some difficulty with the present system of processing book orders. The Regions order books through the Provincial offices, the orders then go to jobbers, the jobbers ship the books to the Provincial offices, the latter sends them to the Regions which eventually delivers them to the Locals.

Freight and postage expenses for fiscal 1992 totalled \$71,010 and a fair part of that probably would have been saved had a better system been in place.

The Board's Regulations state membership registration fees are not permitted. The Review Committee sees no worthwhile reason for not implementing a nominal user fee at the Local Libraries, using the funds solely to purchase books. The Committee therefore suggests the Board implement such a policy which will necessitate a change in the Regulations.

RECOMMENDATION

40. The Board examine methods of cost savings on freight and postage.

C. MISSION STATEMENT

The Mission Statement outlined in Chapter III needs to be revised.

CHAPTER XII

REVIEW COMMITTEE'S EXPRESSIONS OF THANKS

The Committee could not have carried out its work without the assistance and co-operation of many people.

It therefore wishes to express its thanks to all, and especially the following:

1. The Minister, Deputy Minister and staff of the Department of Tourism and Culture..
2. The Auditor General and her staff.
3. Staff of the Internal Audit Division of the Department of Finance.
4. The Provincial Public Libraries Board.
5. Many staff members of the Provincial Office, Regional Offices and Local Libraries.
6. Some volunteer members of Regional and Local Boards.
7. The seconded Administrator.

COMPARISON OF STATISTICS MAJOR CITIES IN CANADA

Appendix I

COMPARISON I

SELECTED CITIES	POPULATION	LIBRARY MEMBERSHIP AS % OF POPULATION
St. John's	96,215	13
Halifax	113,575	57
Dartmouth	65,245	75
Sudbury	88,720	33
Nepean	95,490	62
Source: Council of Administrators of Large Urban Public Libraries. Annual Statistics, 1990.		

COMPARISON II

	AVERAGE OF 7 MUNICIPAL LIBRARIES	ST. JOHN'S LIBRARY SYSTEM
a) Operating Expenditures/Capita	\$ 38.17	\$ 8.36
b) Materials Expenditures/Capita	5.81	1.05
c) Revenue from Municipalities/Capita	33.00	1.00
d) Revenue from Provincial Government/Capital	3.41	8.80
Source: Council of Administrators of Large Urban Public Libraries. Annual Statistics 1990.		

COMPARISON III

	CITY OPERATING ACCOUNT	CITY LIBRARY OPERATING ACCOUNT	MUNICIPAL CONTRIBUTIO N	CITY LIBRARY OPERATING A/C AS % OF MUN. OPERATING A/C	% OF BRANCH LIBRARIES
St. John's	\$100,000,000 approx.	\$ 954,431	\$ 25,000	0.95	4
Halifax	255,497,000	6,280,877	5,299,705	2.46	3
Dartmouth	109,789,000	3,629,404	2,291,767.	3.30	1
Guelph	75,000,000	3,063,750	2,502,000	4.08	2
AVERAGES	\$135,071,500	\$3,481,365	\$2,529,618	2.70	2.50
Source: Council of Administrators of Large Urban Public Libraries. Annual Statistics, 1990.					
Note: In 1990 St. John's had 4 libraries.					

1990 RANKING TABLES
RELATIVE POSITION OF LIBRARIES

1990 RANK		MUNICIPALITY	EXPENDITURES PER CAPITA
TOTAL OPERATING EXPENDITURES PER CAPITA			
1		North York	\$59.6655
4		Vaughan	47.3870
5		Halifax	45.8271
12		Nepean	36.0698
28		Sudbury	27.6270
37		St. John's	8.3669
TOTAL LIBRARY MATERIALS EXPENDITURES PER CAPITA			
1		Vaughan	\$11.1103
3		Halifax	7.5487
7		North York	6.0549
24		Nepean	4.3984
32		Sudbury	2.8503
36		St. John's	1.0530
1990 RANK		MUNICIPALITY	REVENUE PER CAPITA
REVENUE FROM MUNICIPALITIES PER CAPITA			
1		North York	\$55.7792
8		Halifax	38.2974
11		Vaughan	33.6705
17		Nepean	30.3597
24		Sudbury	25.1555
37		St. John's	00.3000
REVENUE FROM PROVINCIAL GOVERNMENT PER CAPITA			
1		St. John's	\$ 8.8066
2		Halifax	6.7616
8		Sudbury	3.7384
16		North York	3.0654
25		Nepean	2.6092
31		Vaughan	1.9485
Source: Council of Administrators of Large Urban Public Libraries. Annual Statistics, 1990			

**LOCAL LIBRARIES
REGISTERED BORROWERS STATISTICS
1991-1992**

Appendix II

REGION	REGISTERED BORROWERS		REGISTERED BORROWERS
AVALON			
Bay Roberts	2,000	Spaniard's Bay	344
Bell Island	2,788	Torbay	540
Brigus	1,326	Trepassey	216
Carbonear	1,868	Upper Island Cove	304
Conception Bay South	4,142	Victoria	200
Fox Harbour	311	Whitbourne	350
Freshwater	384	Winterton	203
Goulds	1,620		
Harbour Grace	1,559		
Holyrood	793		
Mount Pearl	5,360		
Old Perlican	723		
Placentia	865		
Pouch Cove	228		
St. Bride's	635		
		TOTAL	26,759

REGION	REGISTERED BORROWERS		REGISTERED BORROWERS
BONAVISTA-BURIN		LABRADOR-NORTHERN	
Arnold's Cove	570	Labrador City	5,675
Bonavista	873	Wabush	758
Burin	986	Cartwright	343
Catalina	750	Churchill Falls	427
Clareville	5,462	Happy Valley	3,691
Fortune	545	L'Anse au Loup	233
Garnish	332	Port Saunders	286
Grand Bank	797	St. Anthony	1,424
Marystown	1,902	St. Lunaire-Griquet	67
St. Lawrence	700	North West River	320
Southern Harbour	576		
TOTAL	13,493	TOTAL	13,224

REGION	REGISTERED BORROWERS	REGISTERED BORROWERS
WESTERN		
Bay St. George South	518	St. George's
Burgeo	712	Stephenville
Cape St. George	569	Stephenville Crossing
Codroy Valley	457	Woody Point
Cormack	282	
Corner Brook	9,091	
Cow Head	368	
Daniel's Harbour	186	
Deer Lake	2,049	
Lark Harbour	367	
Lourdes	425	
Norris Point	281	
Pasadena	1,297	
Port au Port East	579	
Port au Port West	675	
Port aux Basques	3,257	
Ramea	259	
Rocky Harbour	388	
		TOTAL
		28,518

REGION	REGISTERED BORROWERS		REGISTERED BORROWERS
GANDER			
Badger's Quay	480	Twillingate	1,197
Carmanville	798	Wesleyville	320
Centerville	403		
Change Islands	224		
Dover	295		
Fogo	1,480		
Gambo	1,059		
Gander	7,829		
Glenwood	408		
Glovertown	615		
Greenspond	207		
Hare Bay	377		
Lewisporte	2,512		
Lumsden	328		
Musgrave Harbour	645		
Summerford	483		
		TOTAL	19,660

REGION	REGISTERED BORROWERS		REGISTERED BORROWERS
CENTRAL			
Baie Verte	749	Springdale	1,529
Bishop's Falls	2,213	Windsor	2,373
Botwood	1,280		
Buchans	779		
Gaultois	109		
Harbour Breton	978		
Harnsworth-Grand Falls	4,398		
Harry's Harbour	89		
Hermitage	349		
King's Point	540		
La Scie	509		
Norris Arm	266		
Point Leamington	318		
Robert's Arm	232		
St. Alban's	345		
Seal Cove	146		
Sop's Arm	343		
		TOTAL	17,545

REGION	REGISTERED BORROWERS		REGISTERED BORROWERS
ST. JOHN'S			
A. C. Hunter	10,449	Mews	1,601
Michael Donovan	2,275	Other	257
Gosling	1,674		
		TOTAL	16,256