

## *Accounting for Law Librarians*

**Brenda Currie**

Manager - Library Services

Arthur Robinson & Hedderwicks



---

### *Introduction*

I have a dream...

Perhaps it is not as noble as the one outlined by Martin Luther King in his 1963 speech, and probably not one which will lead me to a Nobel Peace Prize as King's efforts for peace and freedom did, but it is my dream, never the less, of the perfect financial management system for a law library. An image of this system formed in my mind as I prepared this paper, and it is my aim to share this vision with you

I have spent a number of hours speaking with librarians from a wide range of libraries, and I would like to thank all those anonymous librarians for giving up their valuable time and opening their systems to my questioning. My own experience has primarily been in the private law firm arena, so I deliberately included some representative examples in my interviewing of the academic and court environments

I found a consistency of intent amongst librarians in taking steps to plan for and monitor library programs and expenditure, but an array of approaches taken to achieve this end

### *Differences*

The differences in approach seem to be influenced by two major factors:

1. size, and
2. technology

Examples of these factors include the

- size of the organisation
- size of the parent organisation
- size of the library budget allocation and thus the collection
- number of library staff
- extent of formal planning and project management within the library and the organisation as a whole
- extent and sophistication of technology available within the library

- extent and sophistication of technology use within the firm
- sophistication of the organisations accounts system

### ***Major Areas of Discussion***

My interviews with the various librarians focused on the following areas:

- Budget preparation
- Orders procedures
- Invoice processing
- Subscription records
- Accessioning procedures
- Systems used to record and monitor these aspects of library management.

I will concentrate my discussion on budgets, invoices and orders and also touch on the systems used in my sample libraries.

### ***Budgets***

The first thing that comes to mind when I think of accounting for librarians is budgeting. From my perspective as a library manager, if I don't get this right I might as well take my bat and ball and go home. It is as basic a function in my role as correctly accessioning looseleaf parts is to my library assistant.

#### **What is a Budget?**

A budget can be defined in a variety of ways, but basically it is a report which communicates the need for funding, under specific headings, for a chosen period. In theory it is approved prior to expenditure and acts as a control mechanism for expenditure and revenue within an organisation. A budget is a financial plan<sup>1</sup>

I would like to make two observations about this definition:

- For two of the librarians I spoke with, the budget approval process often only takes place well after the commencement of the budget period; and
- In the organisations I have worked in over the years, the budget has always been seen as an estimate or guide to expenditure. If specific material suddenly becomes essential to the organisation it is purchased, but this does not necessarily lead to the cancellation of other materials in order to remain within the set budget. This also applies in several of the libraries I visited. From my reading however, I understand that this may not be the case in many organisations where the budget is not negotiable for the period it covers<sup>2</sup>

---

<sup>1</sup> Bryson pp 180 and 346

<sup>2</sup> McKay p3

## **Why Budget? What makes budgeting so important?**

There are many reasons why librarians should participate in the budgeting process, and I have listed just a few (in no particular order).

- **Limited funds available**

In the ideal world we would all have an endless supply of money to purchase texts, journals, looseleaf services, law reports, legislation and CD-ROM products, access to every possible online service, unlimited shelf space and infinite numbers of staff to process materials and assist users. Alas, this is never the case. Most organisations have faced a decline in resources over recent years, and competition for funds within organisations has increased. A budget can be used to alert the most senior management to the importance of allocating adequate resources to the library services and programmes.

- **Accountability**

As the business environment becomes more competitive, a growing degree of accountability is being placed on managers at all levels. A budget assists managers in identifying what has been spent in which areas, and justifying this expenditure in terms of programs and services.

- **Monitoring**

A budget is a basic tool for monitoring library expenditure throughout a specific financial period and across a number of years.

- **Framework**

A budget provides a framework within which the information manager can operate, the financial plan sets the parameters for the librarian's spending authority.

- **Resource Allocation**

A budget can assist with the equitable allocation of library expenditure to all areas of the organisation, ensuring that all clientele are adequately catered for. It assists the development of balanced collections.

- **Professional Recognition**

Preparing and monitoring a budget places the librarian as a professional manager within an organisation. Particularly in smaller organisations where the skills and role of a librarian are not well understood, a budget can serve to increase the credibility and recognition of the librarian.

Of the libraries I visited, only one does not have an independent budget. All library expenditure in that organisation is allocated to a general resources pool along with miscellaneous office purchases such as stationery, photocopiers and the like. In addition to the points I have already mentioned regarding the need for, or benefits of budgeting, the librarian felt that the lack of a recognised library budget meant that solicitors are inclined to view resources purchased through general funds as personal property, not communal library resources because they are purchased on an ad hoc basis as a result of their requests. This particular firm has only employed a librarian for a few years and they are still coming to terms with the skills a librarian has to offer, however the librarian is optimistic that the

partnership will adopt a separate library budget, prepared and administered by the librarian, within the next year or so

Two other librarians I spoke with were the first librarians employed by their firms, and had faced similar problems. Despite the protests of both her finance manager and managing partner that this was unnecessary, one of these librarians faithfully prepared a budget for two or three years before her budget was actually accepted as the "official" financial plan for library expenditure. In both firms it took a few years before the ultimate decision makers saw the need for a separate library budget, but over time the librarians gained the confidence of the firm and recognition of the role a professional librarian can play in directing library expenditure.

## ***Planning***

Having decided that it would be a good idea to have a library budget, we need to take some time to plan for the budget and determine our underlying objectives before we end up with a bottom line figure.

### **Strategic Plans / Business Plans**

It is important to understand the strategic objectives of the parent organisation. Proposed library expenditure should relate to library programmes which strive to fulfill library goals and objectives, which in turn work towards meeting the larger corporate or organisational goals.

I was pleased to find that in three of the organisations I visited, the library was one of the divisions/departments/teams expected to prepare a business plan for the coming year. These librarians have access to all of the plans in order to understand the strategic direction of the organisation and to make appropriate modifications to their library's business plan and budget to further that direction.

### **Policy Direction**

Before preparing a budget, the librarian should also determine the policy direction likely to be taken by the financial controller, the executive, the managing partner, the general manager or the equivalent person/group in their organisation. There is little point in preparing a grandiose library budget, requesting a budget increase if costs throughout the organisation are expected to be reduced. An example of this was given by one librarian I visited who was informed after her budget had been submitted that all support function budgets were to be cut by a set percentage. This makes the budget process haphazard, and reduces the relevance and usefulness of the financial plan. Internal communication is an important issue in the planning stage.

When preparing the final submission it is also important to be aware of how the budget relates to the overall income/expenditure of the parent organisation and understand the needs of the other parts of the organisation with whom you are competing for limited funds. Cuts to or rejection of a budget proposal do not necessarily mean that the library services are not valued, but may well be an indication of the size of the pie that is available for distribution.

### **One-off purchases**

One handy hint to remember in the planning stage is that proposals for special projects, new services or one-off large capital expenditure should never be introduced at first instance in the library budget. They should be included as part of the library's regular or special reports to the organisation's decision makers and the concept should be approved well before the item appears in the budget. Surprise packages in the budget documentation are almost certainly doomed to failure<sup>3</sup>

### **Budgeting**

Having taken time to plan and develop objectives for our budget, we can now get down to the nitty gritty of budgeting.

#### **Models**

There are several methods which can be used in preparing a budget. McKay<sup>4</sup> outlines 6 different approaches

- **Line item**
- **Formula**
- **Program**
- **Planning programming budgeting system**
- **Zero based**
- **Performance**

I don't plan to go into great depth about the pros and cons of each method, there are several books available which can assist with this. I will simply outline three methods used in the libraries I visited.

- **Line Item**

The line item budget is the most traditional and simplest approach and the method used in most of the libraries I visited. It divides expenditure into broad categories such as looseleaf, law reports, texts and so on. Most line item budgets are prepared by projecting current expenditures to the following year, taking likely cost increases into account. The method provides basic financial management, but no real explanation of, or connection between, expenditure and objectives of the library and the organisation as a whole. This is not to say that line item budgets can be done away with as they still provide essential information about how much is being spent and on what.

I have created as an example a mythical library budget (Figure 1). The line item display can be developed to include items such as the percentage increase from year to year, the variance in anticipated expenditure and actual expenditure and much more.

---

<sup>3</sup> Bryson p347

<sup>4</sup> McKay pp5-13

LIBRARY BUDGET 1996/97			
DESCRIPTION	1995/96 BUDGET	1995/96 EXPENDITURE	1996/97 PROPOSAL
<b>Materials</b>			
Looseleaf	99,000	100,000	110,000
Legislation	45,000	44,000	48,000
Texts	10,000	12,000	14,000
<b>Sub-total</b>	<b>154,000</b>	<b>156,000</b>	<b>172,000</b>
<b>Salaries</b>			
Wages	200,000	202,000	210,000
Superannuation	12,000	14,120	22,600
<b>Sub-total</b>	<b>212,000</b>	<b>216,120</b>	<b>232,600</b>
<b>Total</b>	<b>366,000</b>	<b>372,120</b>	<b>404,600</b>

Figure 1. Simple line item spreadsheet

- **Formula**

As the name implies, formula budgeting is where expenditure is allocated by a formula, for example the number of students in a particular faculty, or the number of solicitors in a particular working group or department. The formula is used to determine either a percentage of the total funds available or a dollar value of funds which will be allocated to particular units. I understand that funds for library materials budgets at University libraries are typically allocated using a formula method

- **Planning programming budgeting system (PPBS)**

PPBS is a form of program budgeting whereby the library's goals and objectives are determined with reference to the parent organisation's goals. The library's goals are quantified and programs developed to achieve them. Funding is then sought for each program. PPBS allows for costs to be assigned to each program so that costs can be measured in relation to the benefits of each program.

This method is typically part of the budgeting process at large organisations such as Universities. The University Administration sets a policy direction and strategy, and each unit within the University, including the library, then prepares a further strategic plan linking into this. Motherhood library goals such as improving service delivery and marketing of library services are determined within the library plan. Each campus library develops an action plan containing programs with measurable outcomes, costs and staff goals to satisfy the overall library plan.

As you can see from this brief explanation, this is a complicated and time consuming process. As law firms change and general managers and administrators are appointed from industries outside law, I envisage law firms moving in this direction, perhaps not taking the process to the same extremes, but applying the basic concepts.

### ***Content***

As previously mentioned, most of the libraries I visited use the line item budget approach. The following list provides a breakdown of the types of items which the librarians I spoke with generally include in their budgets

#### **✓ Library Materials**

- Looseleaf
- Journals
- Law Reports
- Legislation
- Texts and Conference Papers
- Computer software and other non-book resources

#### **✓ Salaries**

#### **✓ Training & Conferences**

#### **✓ Stationery - library specific**

#### **× Premises Costs**

#### **× Stationery - general**

#### **× One-off capital expenditure**

- Computer Hardware
- Renovations

In the case of a budget for a small library the list tends to be short with few subcategories. For example, a small organisation might break expenditure into only four basic codes such as subscriptions, texts, computer formats and miscellaneous and still provide adequate information and control. In my library I have 16 library specific categories of expenditure with corresponding general ledger codes, while an academic, court or government library would be different again.

Most of the librarians I spoke with are only required to include variable operating expenses such as materials and salaries in their budget, not fixed operating costs or capital expenditure. The academic and court librarians I spoke with confuse the

picture as they include all of these categories and more in some phase or other of their budgeting process. Law firm budgets generally concentrate on explaining expenditure as the library does not generate significant revenue. The court and academic libraries in my study differ in that their budgets also look to sources of funding, and specific means of increasing the available revenue, for example by applying for special grants or raising charges for services such as photocopying

### **Budget Presentation**

Regardless of the method used to calculate the budget and what is included in the budget, the final document should:

- be as brief and simple to understand as possible; most of the librarians in my study present a short summary document of two or three pages, which can be read as a stand alone document, but with other attachments as circumstances dictate
- provide a phased breakdown of expenditure, for example the expenditure summary found in a line item budget
- explain changes in expenditure and calculations from the previous year
- provide an outline of the library plans for the year
- be related to the budget and goals of the parent organisation
- be honest, not underestimating or overestimating what is required<sup>5</sup>

### **Budget Approval Process**

Bryson makes the rather obvious statement that the "library manager is rarely the final arbitrator on the amount of funds to be allocated to the library"<sup>6</sup>. If you ever find that you are in a position to determine the allocation of an organisation's funds, I would suggest that it is because you have died and gone to library heaven! For some librarians the approval process may simply be a rubber stamp, but in theory the librarian does not have the final say. We are responsible for preparing the expenditure estimate document which will go to an individual or body at the executive level of the parent organisation for approval

In my sample of librarians, budgets were often prepared in consultation with the immediate supervisor to the librarian. Some librarians present their budget directly to the approval body while others pass the document to an intermediary such as a finance director, general manager, library partner, or managing partner who will then present the budget (usually with all the other administrative section budgets) to the authorising body or group.

---

<sup>5</sup> *ibid* p17

<sup>6</sup> Bryson p346



In my sample a wide range of individuals and groups become involved with the budget approval process including the:

- General Manager
- Library Partner
- Managing Partner
- Library Committee
- Finance Committee
- Partnership Budget Meeting
- Executive
- Library Board

The range of people who may be included in the approval process highlights the importance and usefulness of lobbying within the organisation to ensure the important role of the library and the need to fund it appropriately is recognised.

### ***Reporting***

#### **Monitoring & Review**

Having planned and budgeted and finally received approval for all the funds we have requested we can now go shopping! Our responsibility does not end at this point however, as we must now take steps to manage and control expenditure. Since we are to be held accountable for expenditure, we must monitor it. An accounting system must be in place to keep a monthly record of the areas in which money is spent, how much is spent and the balance remaining in each specific budget area in comparison to the total budget estimate.

In my sample group, monitoring enables calculation of all or some of these aspects of expenditure:

1. total amount spent
2. amount spent according to information type or account code
3. percentage of budget estimate expended to date for each information type and balance in dollars available for each information type. Some systems can also forecast the amount of the budget allocation which will be spent by the end of the financial year if the current spending pattern continues
4. level of expenditure for each working group, department or division
5. amount spent according to publisher

This information :

- makes it possible to track current expenditure and take remedial action should a blow out occur in any particular area
- enables review of expenditure to ensure resources are allocated evenly throughout the organisation
- allows for accurate planning for the coming year to ensure that the budget is realistic and allows the library to meet the information needs of the organisation

### **Invoices**

The primary method for monitoring expenditure is through the recording of invoice details. Although there are some variations, most of my sample librarians keep a record for each invoice of the

Author

Title

Publisher

Order Number

Invoice Number

Invoice Date

Amount

Department, Working Group or Individual for whom purchased

Approval Date.

Is it necessary to record details for every invoice? I suggest that it is. Recording of invoice details ensures that duplicate approvals are not made which result in unnecessary work for the accounts department and library staff. Duplicate payment of invoices will often result in the commencement of unwanted subscriptions. If the invoice approvals system is used in conjunction with an orders or accessioning system, it can also confirm that an item and the relevant number of copies were actually ordered and have been received. The invoice approval system can also be used in conjunction with a subscription system to ensure that the subscription renewal dates are consistent from year to year and to prompt the review of each subscription before renewal.

### **• Invoice Approval**

In the libraries I visited records are kept using a variety of methods, some have manually written lists, others use Excel spreadsheets, several others use library management packages such as Inmagic and File Maker Pro, and one organisation uses an impressive proprietary financial management package. Obviously the computer based record systems enable the librarians to manipulate data more quickly and to be more flexible and creative in the types of calculations made, but this is not a criticism of the manual system, which given the size of the particular library provides more than adequate data for the librarian.

At the end of each month the librarian can calculate the total spent by the type of material or account code, the publisher or any of the other characteristics captured by the recording process and compare this with the budget estimate. Having recorded the necessary data, the librarians in my sample generally initial the invoice and indicate the relevant account code or material type before it is sent off into the big black hole of the Accounts Department

### **Orders**

Before I look at what happens in the Accounts Department, I want to briefly mention library orders, accessioning and subscription maintenance systems

Ordering procedures vary greatly from library to library. Some libraries in my study with relatively small budgets manage very well with a manual ordering system. Standard approval forms for purchases, and standard order letters form the basis of these systems. In some cases each order is given a number, but this is not considered essential. It is a relatively simple matter for the librarian in these situations to monitor the orders file. Other libraries have automated their ordering procedure, linking it into the catalogue system so that an "on order" item appears in the catalogue. One library has a series of databases for orders, accessioning, catalogue and subscriptions on a single software platform, but had not utilised the systems capacity to fully integrate the databases. Another option adopted by one library is to have the orders, invoices and subscription details on a separate database system to the library management system which contains their catalogue and subscription accessioning modules

My ideal system would be fully integrated, linking all aspects of invoices or accounts recording, orders procedures, subscriptions, supplier details, the catalogue, serials accessioning and any other possible library function. Data would only be entered once, and a complete picture relating to any item paid for out of library funds could be obtained by a series of connections using hypertext links. In all the libraries I visited there appeared to be some missing element to prevent this ideal system from operating

This leads me to my final area for discussion - the Accounts Department .... don't we all love them!

### **Accounts Department**

The following issues of concern emerged in discussions with my sample group

- **Duplication - Integrated Systems**

Invoice recording is the area where most duplication of effort occurs between the library and accounts department functions. Most of my sample group spend a great deal of time entering invoice details into their library recording systems, then the accounts department repeat the process in their system.

My ideal system would do away with this duplication, so that either library staff enter the data into the accounts system or accounts staff are trained to enter data in a way that is useful to the library. I know myself that I spend a great deal of time trying to decipher the invoice details from the monthly accounts printout so that I can compare my expenditure records with what was actually processed by the accounts department. Obviously even in my ideal system if the accounts

department staff were better trained or the library staff entered material into the accounts system, it would still be necessary to check the data which has been entered to ensure that proper accounting practices are followed and that data is entered accurately. But is it really necessary for us all to spend this time double entering the same data?

The accounts system should also be able to talk to the library system linking with all the other aspects of library procedures such as accessioning, orders and subscription records and the catalogue. In this age of technology there has to be a better way!

- **Accounts Printouts - Verifying Entries**

Most of my sample group receive an item by item printout from their accounts department of expenditure incurred under each library code for the month. It is important to review these printouts to ensure that items have been debited to the correct library account code, for the right amount and paid to the correct supplier, in the appropriate currency. One of the strangest things I've ever found included in a printout of library expenditure from the Accounts Department was a very expensive bunch of balloons. It is important to identify these errors and have them rectified to ensure that our monitoring of library expenditure is accurate and tallies with the accounts department. This verification process is necessary to ensure that the record of expenditure is accurate, so that in turn the reporting and review functions undertaken by the librarian are accurate.

- **Tracking Invoice Payments**

Tracking invoice payments appears to be another common problem. Only one library in my study could actually tell if an invoice had been paid, and that is because they function as a mini accounts department and draw the cheques and send the payments themselves. Another librarian mentioned that her organisation was looking at moving to a form of practice management system whereby library staff would enter the data into the accounts database and prepare the cheque requisition forms, and only when this was completed would the accounts department enter the scene to finalise the payments. Under current practices in most law firms, the mere fact that an item appears on the monthly accounts printout does not mean that the cheque has been drawn or if it has that the payment went to the correct organisation. Most librarians only discover that a payment has not been made when a service ceases to be received or a follow up invoice arrives.

It is important to be able to rely on ones accounts department to make payments as requested. The payments system must function properly so that the data fed back into the budget reporting system is accurate. My ideal system would provide some form of monitoring mechanism so that the librarian could automatically know the payment details for any authorised item.

### ***Conclusion***

I realise that accounting practices are not the most exciting aspect of librarianship, but I would encourage you to recognise the importance of budgeting and general financial management within your library and to dream about what your system could be like - and then do what you can to put it in place.

### ***Bibliography***

Bryson, Jo *Effective library and information centre management*. Gower: Aldershot 1990

McKay, Duncan *Effective financial planning for library and information services*. the Aslib know how series. Aslib: London 1995