

AID TO PUBLIC LIBRARIES FUND

State Authorization: North Carolina General Statute 125-7

**North Carolina Department of Natural and Cultural Resources
Division of State Library**

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The auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor can consider the supplement a “safe harbor” for identification of compliance requirements to be tested if the auditor performs reasonable procedures to ensure that the requirements in the Supplement are current.

The grantor agency may elect to review audit working papers to determine that audit tests are adequate.

Auditors may request documentation of monitoring visits by the State Agencies.

I. PROGRAM OBJECTIVES

The State Aid legislation stipulates that the appropriation known as the Aid to Public Libraries Fund is intended to promote, aid, and equalize public library service in North Carolina. (General Statute 125-7b)

II. PROGRAM PROCEDURES

Since 1941, the General Assembly has appropriated money, known as the Aid to Public Libraries Fund, for public library service in North Carolina. This appropriation is often referred to as State Aid. According to General Statute 125-7(c), the Aid to Public Libraries Fund is to be administered by the Department of Natural and Cultural Resources, Division of State Library, which has the responsibility to establish the rules and regulations for the allocation and administration of such funds.

Libraries that wish to receive funding from the Aid to Public Libraries Fund must meet certain requirements established by the State Library and delineated in the North Carolina Administrative Code, Title 7, Chapter 2, Subchapter 2I, Section .0201.

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Eligibility to receive funding is determined by the Department of Natural and Cultural Resources, Division of State Library.

Libraries that wish to receive State Aid must apply annually. The Aid to Public Libraries application packet is comprised of three (3) documents: the Application for State Aid to Public Libraries form, the Maintenance of Effort Report and Declaration form, and the Assurance of Professional Librarians Whose Salaries Are Funded With State Aid form. These documents must be completed and returned to the State Library each year for a library to be considered as having applied for State Aid.

When eligibility has been determined and the amount of the appropriation from the General Assembly to the Aid to Public Libraries Fund is known, the State Library calculates the amount of State Aid each eligible library will receive.

State Aid to Public Libraries is distributed according to a formula that takes into account the type of public library (county, regional, or municipal), the population of the library's service area, and the per capita income of the residents of the service area. The formula allocates 50% of the total State Aid to Public Libraries appropriation as equal block grants to each eligible county, plus an additional block grant to each multi-county regional library. Municipal libraries qualifying for State Aid do not receive block grants.

The remaining 50 percent of the State Aid fund is allocated as per capita income equalization grants. Each eligible regional, county, and municipal library system receives a per capita grant that is inversely proportional to the local per capita income.

All grants are contingent upon appropriations budgeted by the General Assembly. Eligible county, regional and municipal libraries will receive the grants subject to the approval of the Secretary of the Department of Natural and Cultural Resources. (Administrative Code, Title 7, Chapter 2, Subchapter 2I, Section .0202)

Libraries are notified in a written memorandum of the amount of State Aid for which they have qualified. Libraries are advised to provide a copy of this memorandum to their finance officer and to their auditor.

III. COMPLIANCE REQUIREMENTS

1. Activities Allowed or Unallowed

See number 2 below.

2. Allowable Costs/Cost Principles

Compliance Requirement - Block and per capita equalization grants may be used for materials, salaries, equipment, and operating costs. Grants may not be used for capital expenditures, which the Division of the State Library defines as construction costs and is colloquially referred to as bricks and mortar. (Administrative Code, Title 7, Chapter 2, Subchapter 2I, Section .0202)

Suggested Audit Procedure (Local Auditor) - Test expenditures documented in the library's budget and related records to verify that expenditures were allowable.

Compliance Requirement - Libraries must pay salaries for professional positions funded with State Aid that are no less than the scale required by the Division of the State Library. The State Library issues an annual Salaries for Professional Positions Memorandum that states the minimum salary that can be paid to a professional librarian whose salary is paid in whole or in part with State Aid. (Administrative Code, Title 7, Chapter 2, Subchapter 2I, Section .0201(7))

Suggested Audit Procedure (Local Auditor) - Review library payroll records for conformity to the Salaries for Professional Positions Memorandum issued by the State Library.

3. Cash Management

Compliance Requirement - Libraries must expend funds as authorized in their adopted budget. Any library having an unencumbered operational balance of more than seventeen percent (17%) of the previous year's operating receipts will have the difference deducted from its state allocation. (Administrative Code, Title 7, Chapter 2, Subchapter 2I, Section .0201(6))

Suggested Audit Procedure (Local Auditor) - Review to determine whether the unencumbered operational budget for the year being audited is no more than seventeen percent (17%) of the previous year's operating receipts.

4. Conflict of Interest

5. Eligibility

Eligibility is specified in the North Carolina Administrative Code 07 NCAC 02I .0201 Qualifications for Grant Eligibility.

No testing at local level

6. Equipment and Real Property Management

Not applicable

7. Matching, Level of Effort, Earmarking

Compliance Requirement - Libraries must secure operational funds from local government sources at least equal to the average amount budgeted and available for expenditure for the previous three years. Funds spent by local governments on behalf of a library (in-kind contributions) can be considered as local operating funds when determining maintenance of effort. If the amount budgeted and available for expenditure by local government is below the average of the previous three fiscal years, a grant to a local library system from the Aid to Public Libraries Fund shall not be terminated, but shall be reduced proportionately by the Department of Natural and Cultural Resources. State funds shall not replace local funds budgeted and available for expenditure for public library operations. (Administrative Code, Title 7, Chapter 2, Subchapter 2I, Section .0201(4))

Suggested Audit Procedure (Local Auditor) - Identify the required maintenance of effort from the Maintenance of Effort Report and Declaration form for the year being audited and perform tests to verify that the maintenance of effort requirement

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was met. Perform procedures to verify that the “in-kind” contributions were supported by official records.

Compliance Requirement - Libraries must obtain aggregate operational funds from local sources at least equaling State Aid. (Administrative Code, Title 7, Chapter 2, Subchapter 2I, Section .0201(5))

Suggested Audit Procedure (Local Auditor) - Perform tests to verify that the required matching contributions were met. Ascertain the sources of matching contributions and perform tests to verify that they were from an allowable source.

8. Period of Performance

Not applicable

7. Procurement and Suspension and Debarment

Not applicable

10. Program Income

Not applicable

11. Reserved (No longer applicable)

12. Reporting

Compliance Requirement - Libraries must obtain an annual audit of library accounts according to generally accepted accounting principles and submit a copy of this audit to the Division of State Library. (Administrative Code, Title 7, Chapter 2, Subchapter 2I, Section .0201(8))

Suggested Audit Procedure (Local Auditor) - The auditor is not expected to test for the Reporting Requirement. The Department of Natural and Cultural Resources, Division of State Library will determine if this requirement is met.

13. Subrecipient Monitoring

Compliance Requirement - Eligibility is specified in the North Carolina Administrative Code 07 NCAC 02I .0201 Qualifications for Grant Eligibility.

Suggested Audit Procedure (Local Auditor) - Conduct annual on-site monitoring visits, website review, and document review.

No testing is required at the local level.

14. Special Tests and Provisions

Not applicable