

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

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 125-7c, 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 21, Section .0201. Eligibility to receive funding is determined by the Department of Natural and Cultural Resources, Division of State Library.

Libraries that wish to receive Aid to Public Libraries Fund must apply annually. The Aid to Public Libraries application packet is comprised of nine (9) forms: Local Funder Maintenance of Effort Report & Declaration; Maintenance of Effort for In-Kind & Monetary Contributions, Average Maintenance of Effort Report & Declaration, Assurance of Professional Librarians Whose Salaries are Funded with State Money, Library Director State Aid Certification, and Compliance with State Aid Eligibility Rules; State Aid Expenditures, Local Funder Actual Appropriation, Library Director Certification; (3) supplemental reports: five-year strategic plan, Board of Trustees bylaws (if applicable), and financial report ending previous fiscal year; and completion of the Public Library Statistical Report. 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.

Aid to Public Libraries Fund is distributed according to a formula that considers 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 Aid to Public Libraries appropriation as equal block grants to each eligible county, plus an additional block grant to each multi-county regional library. Qualifying municipal libraries do not receive block grants.

The remaining 50% of the Fund is allocated as per capita income equalization grants. Each eligible county, regional, and municipal library system receives a per capita income equalization 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 21, Section .0202)

Libraries are notified in a written memorandum of the amount of Aid to Public Libraries Fund 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

Noted below in the following matrix are the types of compliance requirements identified by the State Agency, noted by “Y” that are that are subject to the audit for the State program. The auditor must determine if the Type noted by “Y” has a direct and material effect on the State program for the auditee.

1	2	3	4	5	6	7	8	9	10	12	13	14
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Conflict of Interest	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	N	Y	N	Y	N	N	N	Y	N	N

1. Activities Allowed or Unallowed

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. (Administrative Code, Title 7, Chapter 2, Subchapter 21, Section .0202)

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

2. Allowable Costs/Cost Principles

Compliance Requirement – Libraries may pay salaries for professional positions with Aid to Public Libraries funds that are no less than the scale required by the Office of State Human Resources. State Aid Application Form *Assurance of Professional Librarians Whose Salaries are Funded with State Money* provides the minimum salary that can be paid to a professional librarian whose salary is paid in whole or in part with the Aid to Public Libraries Fund. (Administrative Code, Title 7, Chapter 2, Subchapter 21, Section .0201 (7))

Suggested Audit Procedure (Local Auditor) –Review library payroll records for conformity to the minimum rate of salary for professional positions as listed on the submitted State Aid Application Form *Assurance of Professional Librarians Whose Salaries are Funded with State Money*.

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 17% of the previous year’s operating receipts will have the difference

deducted from its state allocation. (Administrative Code, Title 7, Chapter 2, Subchapter 21, Section .0201 (6))

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

4. Conflict of Interest

Not applicable

5. Eligibility

Eligibility is specified in the North Carolina Administrative Code 07 NCAC 021.0201 Qualifications of Grant Eligibility. 07 NCAC 021.0201 Qualifications for Grant Eligibility

Libraries requesting funding from the Aid to Public Libraries Fund shall submit annually to the State Library of North Carolina an application for State Aid and supporting documentation including financial and statistical reports as required by this Rule and shall meet the following eligibility requirements:

- (1) Be established pursuant to Article 14, Chapter 153A of the North Carolina General Statutes;
- (2) Provide library services in compliance with applicable State and federal law to all residents of the political subdivision(s) supporting the library. Public library services shall be provided from at least one designated facility with a cataloged collection that is open to the public a minimum of 40 hours per week;
- (3) Employ a full-time library director having or eligible for North Carolina public librarian certification. For the purpose of this Rule, "full-time" means working a minimum of 35 hours per week;
- (4) Secure operational funds from local government sources at least equal to the average amount budgeted and available for expenditure for the previous three 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 if the amount budgeted and available for expenditure by local government is below the average of the previous three fiscal years. State funds shall not replace local funds budgeted and available for expenditure for public library operations;
- (5) Secure aggregate operational funds from local sources that are at least equal to State aid;
- (6) Expend funds as authorized in the budget adopted by the Board of Trustees of a Regional Library, a County, or a Municipality. Any library having an unencumbered operational balance of more than 17 percent of the previous year's operating receipts shall have the difference deducted from its State allocation;
- (7) Pay salaries for professional positions funded from the Aid to Public Libraries Fund at least at the minimum rate of a salary grade of GN10, or equivalent, as established by the Office of State Human Resources;
- (8) Provide to the State Library of North Carolina an annual audit of the political subdivision(s) funding the library consistent with generally accepted accounting principles;

- (9) Submit to the State Library of North Carolina a copy of the bylaws of the library system's Board(s) of Trustees;
- (10) Submit a current long-range plan of service to the State Library of North Carolina. For the purpose of this Rule, a "long-range plan of service" is a plan of at least five years. Upon request, the library shall submit an assessment of a community's library needs to the State Library of North Carolina;
- (11) Submit a copy of the agreement establishing the library system, if composed of more than one local governmental unit; and
- (12) Meet the following when establishing a new library or re-establishing eligibility for the Aid to Public Libraries Fund:
 - (a) meet all requirements of this Rule on July 1 of the year prior to the fiscal year that the library plans to receive State aid;
 - (b) continue to meet all requirements of this Rule from July 1 to June 30 of that year, which shall be known as the "demonstration year"; and
 - (c) file a complete application for State Aid by the June 30 deadline at the close of the demonstration year in order to receive State aid in the next fiscal year.

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 from 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 submitted State Aid application form *Local Funder Maintenance of Effort Report & Declaration* Form for the year being audited and perform tests to verify that the maintenance of effort requirement was met. Perform procedures and obtain an itemized list of contributions to verify that the "in-kind" contributions are allowable and 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

9. Procurement and Suspension and Debarment

Not applicable

10. Program Income

Not applicable

11. Reserve

12. Reporting

Compliance Requirement - Libraries must submit an annual audit (Annual Comprehensive Financial Report) 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))

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

Not applicable

14. Special Tests and Provisions

Not applicable