

FINANCIAL AUDIT  
INCLUDING THE PROVISIONS OF THE SINGLE AUDIT ACT  
OF THE

LIBRARY OF MICHIGAN

October 1, 1998 through September 30, 2000

## EXECUTIVE DIGEST

# LIBRARY OF MICHIGAN

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<b>INTRODUCTION</b>	This report contains the results of our financial audit*, including the provisions of the Single Audit* Act, of the Library of Michigan for the period October 1, 1998 through September 30, 2000.
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<b>AUDIT PURPOSE</b>	This financial audit of the Library was conducted as part of the constitutional responsibility of the Office of the Auditor General and is required on a biennial basis by Act 251, P.A. 1986, to satisfy the requirements of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> .
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<b>BACKGROUND</b>	Act 540, P.A. 1982 (Sections 397.11 - 397.24 of the <i>Michigan Compiled Laws</i> ), created the Library of Michigan under the control of the Legislative Council and established an advisory Board of Trustees. The Library's primary mission* is to promote, advocate, and consistently work to achieve the highest level of library service to the State of Michigan and its residents. The Library's goals* and objectives* are to meet the information needs of the Legislature and State government, to assist Michigan libraries, and to act as a Statewide resource for the public.
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\* See glossary at end of report for definition.

The Business Services Division has responsibility for the Library's accounting, financial reporting, and administration of federal grants. As of September 30, 2000, the Library had 102 full-time and 50 part-time employees. The Library's expenditures and operating transfers out for fiscal years 1999-2000 and 1998-99 totaled \$35,531,113 and \$35,251,970, respectively.

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AUDIT OBJECTIVES  
AND CONCLUSIONS

**Audit Objective:** To audit the Library's financial schedules and to examine the supplemental financial schedules, including the schedule of expenditures of federal awards, in relation to the Library's financial schedules for the fiscal years ended September 30, 2000 and September 30, 1999.

**Conclusion:** We expressed an unqualified opinion\* on the Library's financial schedules. In addition, we expressed an unqualified opinion on the Library's supplemental financial schedules, including the schedule of expenditures of federal awards, in relation to the financial schedules taken as a whole.

**Audit Objective:** To assess and report on the Library's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial schedules, and on its internal control\* over financial reporting, based on our audit of the financial schedules.

**Conclusion:** Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial schedules. Also, our assessment of internal control over financial reporting did not disclose any material

\* See glossary at end of report for definition.

**weaknesses\***. However, we identified a reportable condition\* related to the recording of accounts payable (Finding 1).

**Audit Objective:** To assess and report on the Library's compliance with requirements applicable to the Library's major federal program and on its internal control over compliance in accordance with OMB Circular A-133.

**Conclusion:** We issued an unqualified opinion on the Library's compliance with requirements applicable to the Library's major federal program. Also, our assessment of internal control over compliance applicable to the Library's major federal program did not disclose any material weaknesses.

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AUDIT SCOPE	<p>Our audit scope was to examine the financial and other records of the Library of Michigan for the period October 1, 1998 through September 30, 2000. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States; and OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i>, and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.</p> <p>Our audit excluded capital outlay accounts, which are administered by the Legislative Service Bureau.</p>
AGENCY RESPONSE AND PRIOR AUDIT FOLLOW-UP	<p>Our audit report contains one finding and one corresponding recommendation. The Library's corrective action plan indicates that it agrees with our finding and</p>

\* See glossary at end of report for definition.

recommendation. The plan also indicates that the Library's corrective action is completed and ongoing.

There were no findings or recommendations in the prior Library Single Audit report.

June 6, 2001

The Honorable Dan L. DeGrow, Senate Majority Leader  
The Honorable Rick Johnson, Speaker of the House  
Legislative Council  
State Capitol  
Lansing, Michigan

Dear Senator DeGrow and Representative Johnson:

This is our report on the financial audit, including the provisions of the Single Audit Act, of the Library of Michigan for the period October 1, 1998 through September 30, 2000.

This report contains our executive digest; description of agency; audit objectives and conclusions, audit scope, and agency response and prior audit follow-up; schedule of findings and questioned costs; and independent auditor's reports on the financial schedules, on compliance and on internal control over financial reporting, and on compliance with requirements applicable to each major program and on internal control over compliance in accordance with U.S. Office of Management and Budget Circular A-133. This report also contains the Library of Michigan financial schedules and notes to the financial schedules, supplemental financial schedules, other schedules, and a glossary of acronyms and terms.

Our finding and recommendation are contained in Section II of the schedule of findings and questioned costs. The agency response is contained in the corrective action plan.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

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## Description of Agency

Act 540, P.A. 1982 (Sections 397.11 - 397.24 of the *Michigan Compiled Laws*), created the Library of Michigan under the control of the Legislative Council and established an advisory Board of Trustees. The State Librarian, by statute, has responsibility for the administrative and budgetary functions of the Library and reports to the Legislative Council.

The Library (including the Law Library) is located in Lansing. The Library's collections include approximately 4.5 million items, with an emphasis on Michigan, public policy, and Michigan newspapers. The Library houses one of the 10 largest collections of genealogy information in the United States and is a depository for both federal and State government documents.

The Library's primary mission is to promote, advocate, and consistently work to achieve the highest level of library service to the State of Michigan and its residents. The Library's goals and objectives are to meet information needs of the Legislature and State government, to assist Michigan libraries, and to act as a Statewide resource for the public.

The Library provides federal and State funding to Michigan libraries and coordinates library services throughout the State. It receives and administers federal funds under the federal Library Services and Technology Act to improve library services. The Library distributes State funds to public libraries and public library cooperatives. Also, the Library coordinates and provides continuing education for public library personnel.

The Business Services Division has responsibility for the Library's accounting, financial reporting, and administration of federal grants. As of September 30, 2000, the Library had 102 full-time and 50 part-time employees. The Library's expenditures and operating transfers out for fiscal years 1999-2000 and 1998-99 totaled \$35,531,113 and \$35,251,970, respectively.

Audit Objectives and Conclusions, Audit Scope,  
and Agency Response and Prior Audit Follow-Up

Audit Objectives and Conclusions

Our financial audit, including the provisions of the Single Audit Act, of the Library of Michigan had the following objectives:

1. To audit the Library's financial schedules and to examine the supplemental financial schedules, including the schedule of expenditures of federal awards, in relation to the Library's financial schedules for the fiscal years ended September 30, 2000 and September 30, 1999.

**We expressed an unqualified opinion on the Library's financial schedules. In addition, we expressed an unqualified opinion on the Library's supplemental financial schedules, including the schedule of expenditures of federal awards, in relation to the financial schedules taken as a whole.**

2. To assess and report on the Library's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial schedules, and on its internal control over financial reporting, based on our audit of the financial schedules.

**Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial schedules. Also, our assessment of internal control over financial reporting did not disclose any material weaknesses.** However, we identified a reportable condition related to the recording of accounts payable (Finding 1).

The finding related to our assessment of compliance and internal control over financial reporting is contained in Section II of the schedule of findings and questioned costs\*.

3. To assess and report on the Library's compliance with requirements applicable to the Library's major federal program and on its internal control over compliance in accordance with U.S. Office of Management and Budget (OMB) Circular A-133.

\* See glossary at end of report for definition.

**We issued an unqualified opinion on the Library's compliance with requirements applicable to the Library's major federal program. Also, our assessment of internal control over compliance applicable to the Library's major federal program did not disclose any material weaknesses.**

#### Audit Scope

Our audit scope was to examine the financial and other records of the Library of Michigan for the period October 1, 1998 through September 30, 2000. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our audit excluded capital outlay accounts, which are administered by the Legislative Service Bureau.

We considered the Library's internal control over compliance applicable to each major federal program and assessed the Library's compliance with federal laws and regulations in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, in addition to auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The Library's major federal program is identified in Section I of the schedule of findings and questioned costs.

#### Agency Response and Prior Audit Follow-Up

Our audit report contains one finding and one corresponding recommendation. The Library's corrective action plan indicates that it agrees with our finding and recommendation. The plan also indicates that the Library's corrective action is completed and ongoing.

The Library's corrective action plan, which is included in this report, was prepared by the Library as required by OMB Circular A-133.

There were no findings or recommendations in the prior Library Single Audit report.

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Section I: Summary of Auditor's Results

### Financial Schedules

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? No

A reportable condition identified that is not considered to be  
a material weakness? Yes

Noncompliance material to the financial schedules? No

### Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Reportable conditions identified that are not considered to be  
material weaknesses? None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in  
accordance with U.S. Office of Management and Budget (OMB)  
Circular A-133, Section 510(a)? No

Identification of major programs:

<i>CFDA</i> Number	Name of Federal Program
45.310	State Library Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee\*? No

## Section II: Findings Related to the Financial Schedules

### **FINDING (030101)**

#### 1. Recording of Accounts Payable

The Library of Michigan should improve its procedures to ensure that accounts payable are properly recorded at fiscal year-end.

In accordance with generally accepted accounting principles, as well as the Department of Management and Budget Year-End Closing Guide (Chapter 14, Section 2A), subscription fees expenditures, and any other related transactions, should not be recorded until the beginning date of service.

The Library entered into a three-year contract for a database subscription service, with a cost of \$880,000 per year, for fiscal years 1999-2000, 2000-01, and 2001-02. However, the Library recorded an account payable for \$880,000 as of September 30, 1999 and September 30, 2000 for services that were not received until the following fiscal year. As a result, the Library overstated both accounts payable and expenditures by \$880,000 for the fiscal year ended September 30, 1999 and overstated accounts payable for the fiscal year ended September 30, 2000 by the same amount.

The expenditures recognized for this service were 100% funded by federal funds in fiscal year 1998-99 and partially funded by federal funds in fiscal year 1999-2000. The Library recognized an amount due from federal agencies and resulting federal revenue in connection with these expenditures in each fiscal year. This resulted in amounts due from federal agencies being overstated by \$880,000 and by \$516,298 in fiscal years 1998-99 and 1999-2000, respectively. Federal revenue was also overstated by \$880,000 in fiscal year 1998-99 and understated by \$363,702 in fiscal year 1999-2000. This contract was only partially funded by a federal grant

\* See glossary at end of report for definition.

during the second year of the contract, resulting in a smaller effect on amounts due from federal agencies and federal revenue during fiscal year 1999-2000.

The accompanying financial schedules contain the correct balances after adjusting for these misstatements.

**RECOMMENDATION**

We recommend that the Library improve its procedures to ensure that accounts payable are properly recorded at fiscal year-end.

**Section III: Findings and Questioned Costs Related to Federal Awards**

We did not report any findings related to federal awards.

Independent Auditor's Report on  
the Financial Schedules

March 2, 2001

The Honorable Dan L. DeGrow, Senate Majority Leader  
The Honorable Rick Johnson, Speaker of the House  
Legislative Council  
State Capitol  
Lansing, Michigan

Dear Senator DeGrow and Representative Johnson:

We have audited the accompanying schedule of General Fund revenue and the schedule of sources and disposition of General Fund authorizations of the Library of Michigan for the fiscal years ended September 30, 2000 and September 30, 1999. These financial schedules are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial schedules based on our audit. The financial transactions of the Library are accounted for principally in the General Fund of the State of Michigan.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1b, the accompanying financial schedules include only the revenue and the sources and disposition of authorizations for the Library of Michigan's General Fund accounts, presented on the modified accrual basis of accounting. Accordingly, these financial schedules are not intended to constitute a complete financial presentation of either the Library or the State's General Fund in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the financial schedules referred to in the first paragraph present fairly, in all material respects, the revenue and the sources and disposition of authorizations of the Library of Michigan for the fiscal years ended September 30, 2000 and September 30, 1999, on the basis of accounting described in Note 1b.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 2, 2001 on our tests of the Library's compliance with certain provisions of laws, regulations, contracts, and grants and on our consideration of its internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of expenditures of federal awards, required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and other supplemental financial schedules, consisting of the schedule of certain General Fund assets and liabilities and the schedule of disposition of General Fund authorizations by line item, are presented for purposes of additional analysis and are not a required part of the Library's financial schedules referred to in the first paragraph. Such information has been subjected to the auditing procedures applied in the audit of the financial schedules and, in our opinion, is fairly stated, in all material respects, in relation to the financial schedules taken as a whole.

AUDITOR GENERAL

Independent Auditor's Report on Compliance and  
on Internal Control Over Financial Reporting

March 2, 2001

The Honorable Dan L. DeGrow, Senate Majority Leader  
The Honorable Rick Johnson, Speaker of the House  
Legislative Council  
State Capitol  
Lansing, Michigan

Dear Senator DeGrow and Representative Johnson:

We have audited the General Fund financial schedules of the Library of Michigan for the fiscal years ended September 30, 2000 and September 30, 1999 and have issued our report thereon dated March 2, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Library's financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over

financial reporting that, in our judgment, could adversely affect the Library's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules. The reportable condition is described in the accompanying schedule of findings and questioned costs as Finding 1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described in the previous paragraph is not a material weakness.

This report is intended solely for the information and use of the Library's management, the Legislative Council, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR GENERAL

Independent Auditor's Report on Compliance With  
Requirements Applicable to Each Major Program  
and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133

March 2, 2001

The Honorable Dan L. DeGrow, Senate Majority Leader  
The Honorable Rick Johnson, Speaker of the House  
Legislative Council  
State Capitol  
Lansing, Michigan

Dear Senator DeGrow and Representative Johnson:

Compliance

We have audited the compliance of the Library of Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each major federal program for the fiscal years ended September 30, 2000 and September 30, 1999. The Library's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each major federal program is the responsibility of the Library's management. Our responsibility is to express an opinion on the Library's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to in the previous paragraph that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Library's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Library's compliance with those requirements.

In our opinion, the Library of Michigan complied, in all material respects, with the requirements referred to in the second previous paragraph that are applicable to each major federal program for the fiscal years ended September 30, 2000 and September 30, 1999.

#### Internal Control Over Compliance

The management of the Library is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Library's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Library's management, the Legislative Council, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR GENERAL

LIBRARY OF MICHIGAN  
Schedule of General Fund Revenue  
Fiscal Years Ended September 30

	2000	1999
REVENUE		
Federal Revenue:		
Library Services and Construction Act	\$	\$ 149,529
Library Services and Technology Act	4,836,959	4,605,534
National Endowment for the Humanities	60,824	84,024
Total Federal Revenue	\$ 4,897,783	\$ 4,839,087
Services	91,186	177,178
Miscellaneous	1,838	245,239
Total Revenue	\$ 4,990,807	\$ 5,261,504

The accompanying notes are an integral part of the financial schedules.

**LIBRARY OF MICHIGAN**  
Schedule of Sources and Disposition of General Fund Authorizations  
Fiscal Years Ended September 30

	<u>2000</u>	<u>1999</u>
<b>SOURCES OF AUTHORIZATIONS</b>		
General purpose appropriations	\$ 34,258,100	\$ 32,977,400
Budgetary transfers in (out)	(2,787,600)	(2,690,700)
Balances carried forward	354,434	358,212
Restricted financing sources	<u>4,625,352</u>	<u>5,016,813</u>
 Total	 <u>\$ 36,450,286</u>	 <u>\$ 35,661,726</u>
 <b>DISPOSITION OF AUTHORIZATIONS</b>		
Expenditures and operating transfers out	<u>\$ 35,531,113</u>	<u>\$ 35,251,970</u>
Balances carried forward:		
Multi-year projects	\$ 647,516	\$ 145,500
Encumbrances	107,099	158,563
Restricted revenue - authorized	<u>36,834</u>	<u>50,371</u>
Total balances carried forward	<u>\$ 791,449</u>	<u>\$ 354,434</u>
Balances lapsed	<u>\$ 127,723</u>	<u>\$ 55,322</u>
 Total	 <u>\$ 36,450,286</u>	 <u>\$ 35,661,726</u>

The accompanying notes are an integral part of the financial schedules.

## Notes to the Financial Schedules

### Note 1 Significant Accounting Policies

#### a. Reporting Entity

The accompanying financial schedules report the results of the financial transactions of the Library of Michigan for the fiscal years ended September 30, 2000 and September 30, 1999. The financial transactions of the Library are accounted for principally in the State's General Fund and are reported on in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*.

The notes accompanying these financial schedules relate directly to the Library of Michigan. The *SOMCAFR* provides more extensive general disclosures regarding the State's Summary of Significant Accounting Policies, Budgeting and Budgetary Control, Pension Benefits and Other Postemployment Benefits, and Compensated Absences.

#### b. Basis of Accounting and Presentation

The financial schedules contained in this report are prepared on the modified accrual basis of accounting, as provided by accounting principles generally accepted in the United States of America for governmental funds. The modified accrual basis of accounting, which emphasizes the measurement of current financial resource flows, is explained in more detail in the *SOMCAFR*.

The accompanying financial schedules include only the revenue and the sources and disposition of authorizations for the Library of Michigan's General Fund accounts. Accordingly, these financial schedules are not intended to constitute a complete presentation of either the Library or the State's General Fund in accordance with accounting principles generally accepted in the United States of America.

Note 2 Schedule of Sources and Disposition of General Fund Authorizations

The various elements of the schedule of sources and disposition of General Fund authorizations are defined as follows:

- a. General purpose appropriations: Original appropriations and any supplemental appropriations that are financed by General Fund/general purpose revenue.
- b. Budgetary transfers in (out): Legislatively approved transfers of spending authorization between accounts within the entity. These also include administrative transfers, such as entries to complete the financial closing of the State's fiscal year, that are processed by the Office of Financial Management, Department of Management and Budget.
- c. Balances carried forward: Authorizations for multi-year projects, encumbrances, restricted revenue - authorized, and restricted revenue - not authorized that were not spent as of the end of the prior fiscal year. These authorizations are available for expenditure in the current fiscal year for the purpose of the carry-forward without additional legislative authorization, except for the restricted revenue - not authorized.
- d. Restricted financing sources: Collections of restricted revenue, restricted operating transfers, and restricted intrafund expenditure reimbursements to finance programs as detailed in the appropriations act. These financing sources are authorized for expenditure up to the amount appropriated. Depending upon program statute, any amounts received in excess of the appropriation are, at year-end, either converted to general purpose financing sources and made available for general appropriation in the next fiscal year or carried forward to the next fiscal year as either restricted revenue - authorized or restricted revenue – not authorized.
- e. Multi-year projects: Unexpended authorizations for work projects and capital outlay projects that are carried forward to subsequent fiscal years for the completion of the projects.
- f. Encumbrances: Authorizations carried forward to finance payments for goods or services ordered in the old fiscal year but not received by fiscal

year-end. These authorizations are generally limited to obligations funded by general purpose appropriations.

- g. Restricted revenue - authorized: Revenue that, by statute or the State Constitution, is restricted for use to a particular program or activity. Generally, this revenue may be expended upon receipt without additional legislative authorization.
- h. Balances lapsed: Authorizations that were unexpended and unobligated at the end of the fiscal year. These amounts are available for legislative appropriation in the subsequent fiscal year.

# SUPPLEMENTAL FINANCIAL SCHEDULES

LIBRARY OF MICHIGAN  
Schedule of Certain General Fund Assets and Liabilities  
As of September 30

	<u>2000</u>	<u>1999</u>
<b>ASSETS</b>		
Accounts Receivable:		
Amounts due from federal agencies	\$ 785,084	\$ 556,491
Miscellaneous	<u>33,271</u>	<u>8,024</u>
Total Accounts Receivable	\$ 818,354	\$ 564,516
<b>LIABILITIES</b>		
Accounts payable	\$ 1,365,263	\$ 1,219,499
Amounts due to other funds		\$ 3,540

The schedule of certain General Fund assets and liabilities is not a balance sheet and is not intended to report financial condition. The amounts presented include those assets and liabilities for which the Library is directly responsible. The schedule does not include other assets and liabilities, such as equity in Common Cash, cash in transit, and warrants outstanding, accounted for centrally by the State.

LIBRARY OF MICHIGAN  
Schedule of Disposition of General Fund Authorizations by Line Item  
Fiscal Years Ended September 30

Line Item	2000			
	Total Authorizations	Expenditures and Operating Transfers Out	Balances Carried Forward	Balances Lapsed
Operations	\$ 8,367,133	\$ 7,683,863	\$ 683,270	\$
State aid to libraries	14,327,453	14,327,453		
Detroit Public Library	5,871,600	5,871,600		
Subregional State aid	554,300	554,300		
Wayne County Library	49,200	49,200		
Federal - Library Services and Technology	4,472,330	4,472,330		
Newspaper Project	60,824	60,824		
Library automation	806,178	739,747	66,431	
Book distribution	313,500	313,500		
Grand Rapids Public Library	406,400	406,400		
Renaissance Zone reimbursement	428,800	301,077		127,723
Collected gifts and fees	141,642	104,808	36,834	
Michigan Library and Historical Center operations				
Statewide database access	650,000	645,085	4,915	
Receivable and payable write-offs	927	927		
<b>Total</b>	<u>\$ 36,450,286</u>	<u>\$ 35,531,113</u>	<u>\$ 791,449</u>	<u>\$ 127,723</u>

1999			
<u>Authorizations</u>	<u>Expenditures and Operating Transfers Out</u>	<u>Balances Carried Forward</u>	<u>Balances Lapsed</u>
\$ 7,671,595	\$ 7,445,040	\$ 226,286	\$ 270
14,210,700	14,210,700		
5,871,600	5,871,600		
554,300	554,300		
49,200	49,200		
4,672,094	4,672,094		
84,024	84,024		
755,949	678,171	77,778	
285,000	285,000		
406,400	406,400		
300,000	244,948		55,052
217,894	167,523	50,371	
500,000	500,000		
82,969	82,969		
<u>\$ 35,661,726</u>	<u>\$ 35,251,970</u>	<u>\$ 354,434</u>	<u>\$ 55,322</u>

LIBRARY OF MICHIGAN  
 Schedule of Expenditures of Federal Awards (1)  
 For the Period October 1, 1998 through September 30, 2000

Federal Agency/Program	CFDA (2) Number	Directly Expended	Distributed to Subrecipients	Total Expended and Distributed
<u>For the Fiscal Year Ended September 30, 1999</u>				
<b><u>National Endowment for the Humanities</u></b>				
Direct Program:				
Promotion of the Humanities - Division of Preservation and Access	45.149	\$ 84,024	\$	\$ 84,024
<b>Total National Endowment for the Humanities</b>		<b><u>\$ 84,024</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 84,024</u></b>
<b><u>Institute of Museum and Library Services</u></b>				
Direct Programs:				
Library Services and Technology Act: State Library Program	45.310	\$ 2,149,448	\$ 2,373,117	\$ 4,522,565
Library Services and Construction Act: Public Library Construction and Technology Enhancement (Title II)	84.154A	<u>36,014</u>	<u>113,515</u>	<u>149,529</u>
<b>Total Institute of Museum and Library Services</b>		<b><u>\$ 2,185,462</u></b>	<b><u>\$ 2,486,632</u></b>	<b><u>\$ 4,672,094</u></b>
Total Expenditures of Federal Awards		<u>\$ 2,269,486</u>	<u>\$ 2,486,632</u>	<u>\$ 4,756,118</u>

(1) Basis of Presentation: This schedule includes the federal grant activity of the Library of Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial schedules.

(2) CFDA is defined as *Catalog of Federal Domestic Assistance*.

<u>For the Fiscal Year Ended September 30, 2000</u>			<u>Total Expended and Distributed for the Two-Year Period</u>
<u>Directly Expended</u>	<u>Distributed to Subrecipients</u>	<u>Total Expended and Distributed</u>	
\$ 60,824	\$ _____	\$ 60,824	\$ 144,848
<b>\$ 60,824</b>	<b>\$ 0</b>	<b>\$ 60,824</b>	<b>\$ 144,848</b>
\$ 2,341,660	\$ 2,129,744	\$ 4,471,404	\$ 8,993,969
 			149,529
<b>\$ 2,341,660</b>	<b>\$ 2,129,744</b>	<b>\$ 4,471,404</b>	<b>\$ 9,143,498</b>
<b>\$ 2,402,484</b>	<b>\$ 2,129,744</b>	<b>\$ 4,532,228</b>	<b>\$ 9,288,346</b>

# OTHER SCHEDULES

LIBRARY OF MICHIGAN  
Summary Schedule of Prior Audit Findings  
As of September 30, 2000

There were no findings in the prior Library of Michigan Single Audit.

## **LIBRARY OF MICHIGAN**

Corrective Action Plan

As of April 2, 2001

### **FINDINGS RELATED TO THE FINANCIAL SCHEDULES**

**Finding Number:** 030101  
**Finding Title:** Recording of Accounts Payable  
**Management Views:** The Library of Michigan agrees with the finding and recommendation and is committed to improving its procedures to ensure that payables are properly recorded.  
**Corrective Action:** All payment vouchers related to year-end cut-off transactions will be thoroughly reviewed and evaluated by the responsible accounting managers to ensure that expenditures are recorded in the proper fiscal year(s) that they are incurred. This finding has been communicated to all pertinent accounting staff. All year-end procedures and internal control issues will be clarified and emphasized to ensure that payables are properly recorded.  
**Anticipated Completion Date:** Completed and ongoing  
**Responsible Individual:** Janet Laverty

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### **FINDINGS RELATED TO FEDERAL AWARDS**

There were no findings related to federal awards for fiscal years 1998-99 and 1999-2000.

## Glossary of Acronyms and Terms

<i>CFDA</i>	<i>Catalog of Federal Domestic Assistance.</i>
financial audit	An audit that is designed to provide reasonable assurance about whether the financial schedules and/or financial statements of an audited entity are fairly presented in conformity with the disclosed basis of accounting.
goals	The agency's intended outcomes or impacts for a program to accomplish its mission.
internal control	A process, effected by an entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) reliability of financial reporting, (2) effectiveness and efficiency of operations, and (3) compliance with applicable laws and regulations.
low-risk auditee	As provided for in OMB Circular A-133, an auditee that may qualify for reduced federal audit coverage if it receives an annual Single Audit and it meets other criteria related to prior audit results. In accordance with State statute, this Single Audit was conducted on a biennial basis; consequently, this auditee is not considered a low-risk auditee.
material misstatement	A misstatement in the financial schedules and/or financial statements that causes the schedules and/or statements to not present fairly the financial position or the results of operations or cash flows in conformity with the disclosed basis of accounting.

material noncompliance	Violations of laws and regulations that could have a direct and material effect on major federal programs or on financial schedule and/or statement amounts.
material weakness	A condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that either misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules and/or financial statements being audited or noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.
mission	The agency's main purpose or the reason that the agency was established.
objectives	Specific outputs that a program seeks to perform and/or inputs that a program seeks to apply in its efforts to achieve its goals.
OMB	U.S. Office of Management and Budget.
questioned costs	A cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of federal funds, including funds used to match federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

reportable condition	A matter coming to the auditor's attention relating to a significant deficiency in the design or operation of internal control that, in the auditor's judgment, could adversely affect the entity's ability to (1) record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules and/or financial statements or (2) administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants.
Single Audit	A financial audit, performed in accordance with the Single Audit Act Amendments of 1996, that is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, a Single Audit requires the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with OMB Circular A-133.
<i>SOMCAFR</i>	<i>State of Michigan Comprehensive Annual Financial Report.</i>
unqualified opinion	An auditor's opinion in which the auditor states, without reservation, that the financial schedules and financial statements are fairly presented in conformity with the disclosed basis of accounting or are fairly presented in relation to the primary financial schedules and/or statements or an auditor's opinion in which the auditor states, without reservation, that the audited agency complied, in all material respects, with the cited requirements that are applicable to each major federal program.