



Wakulla County Internal Audit Review Memorandum

TO: Linda Oaks, Library Director
Brandy King, Finance Director

FROM: Katrina Cromwell, Internal Audit Director

CC: David Edwards, County Administrator
Greg James, Wakulla County Clerk of the Court
Michelle Metcalf, Assistant County Administrator of Administration

RE: Library Processes

DATE: 09/20/2024

The ordering process for the Wakulla County Library (Library) was reviewed by Internal Audit (IA). The purpose of this review was to determine if the practices utilized by the Library had any internal control concerns. Library staff were interviewed, policies were read, and financial records were examined as part of this review.

The Library appears to have a solid basis for the ordering of library materials. Wakulla, Franklin, and Jefferson Counties are part of the Wilderness Coast Public Libraries and the Library uses their "Collection Development Policy." It provides a basis for evaluating the needs of each community. When new materials are to be purchased, the process involves multiple layers of review. One staff member is charged with the evaluation of materials based on literary journals and catalogs in addition to community and staff recommendations. If the material meets the standards of the policy, the purchase is approved by the Library Director. Another staff member is responsible for entering the material into Kola, the Library's database system, placing Wakulla County (County) labels on the material, and adding electronic tracking to it. Overall, there appears to be appropriate segregation of duties for the purchase of new materials.

The Library receives in-kind donations of library materials as well. These donations are not currently being tracked in the financial records. Donations received are typically 100 books or more per year and follow the same processes detailed above for deciding to accept the donation and adding the donation to the inventory. Although this amount is not financially significant from an accounting perspective, it is recommended that the Library provide the Clerk of the Court's Finance Department (Finance) with the value of donated goods at least annually. This will enable Finance to complete a journal entry to record the revenue of the donated materials. This will provide the public with information on the impact of these donations and follow generally accepted accounting principles (GAAP) for in-kind donations.

After reviewing the financial records there were a couple of items identified that should be reviewed by Finance. Donations from "Friends of the Wakulla County Public Library" are currently recorded in MIP, the County's accounting software, under object code 347100, "Service Charge – Library." According to the Uniform Accounting System Manual 2023 Edition for Florida Local Governments (UAS), 'Charges for Services' should be recorded under 347XXX, so the account number fits the description. However, UAS shows

“Contributions and Donations From Private Sources” as 366XXX. Because these are funds are donated from a registered not for profit and it appears no services are provided for the funds received, it is recommended that they be recorded as 366010 “Local Contributions” or a similar 366XXX added to MIP specifically for the Library moving forward.

Additionally, Library Capital Outlay is not currently being added to Fixed Assets. The Government Accounting Standards Board’s (GASB) Implementation Guide 2021-1 states that for periods beginning after June 15, 2023 governments “should” capitalize assets if in aggregate those assets are significant. This was modified from “may” in earlier guidance. Based on the information entered into Kola the estimated value of the library materials is nearly \$1,000,000. It is recommended that this updated implementation guidance be discussed with the external auditors when preparing the fiscal year 2023-2024 financial statements. Although the annual amount spent is usually less than \$35,000, the collection as a whole is significant. However, it may not meet the significance threshold for the County’s governmental capital assets which were over \$80,000,000 as of last year’s financial statements. The guidance from GASB’s Implementation Guide 2021-1 is below.

“Question 7.9.8 in Implementation Guide 2015-1 5.1.

Q—Should a government’s capitalization policy be applied only to individual assets or can it be applied to a group of assets acquired together? Consider a government that has established a capitalization threshold of \$5,000 for equipment. If the government purchases 100 computers costing \$1,500 each, should the computers be capitalized?

A—Capitalization policies adopted by governments include many considerations such as finding an appropriate balance between ensuring that all significant capital assets, collectively, are capitalized and minimizing the cost of recordkeeping for capital assets. A government should capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. Computers, classroom furniture, and library books are examples of asset types that may not meet a capitalization policy on an individual basis, yet could be significant collectively. In this example, if the \$150,000 aggregate amount (100 computers costing \$1,500 each) is significant, the government should capitalize the computers.”

Currently, library materials are being recorded in MIP under 5660 “Capital Outlay - Library Books,” which corresponds to library capital outlay in UAS, defined as outlays for the acquisition of or additions to fixed assets. It is recommended that if it is determined that the library materials are not significant enough to be capitalized, library material purchases should be recorded in MIP as an operating expense in MIP such as 5540, “Books and Subscriptions,” defined by the UAS as “books, or sets of books if purchased by set, and not purchases for use by libraries, educational institutions, and other institutions where books and publications constitute capital outlay when the purchases exceed the capitalization threshold. This object code also includes subscriptions, memberships, and professional data costs.”

Both methods of recording library materials have merit. IA’s recommendation is to add the library materials to fixed assets. The journal entry for donations should match the object code for the purchased materials.

The Director of Library Services responded that Library staff has begun tracking donations that go into circulation. The value of the donations is available via a report. A copy of the report will be provided to Finance so that it can be recorded into the financial records.

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