PATTERSON LIBRARY

INTERNAL FINANCIAL CONTROLS

Internal Controls Policy Goals:

- Compliance to appropriate laws
- Fiduciary management and protection of assets
- Cost-effective use of assets
- Segregation of duties

Cash Receipt Management

Library staff will collect cash from library charges such as replacement fees, printing, copying and faxing fees. The person who receives the funds immediately records these transactions in the Square register. The database and circulation manager is responsible for reconciling the cash with the report in Square and providing an explanation of any inconsistency. Cash is double counted by the library director and then turned in to the business office, where it is promptly secured in the safe until deposit is made at the bank. Cash receipts are recorded in the library's accounting software and reconciled monthly by the bookkeeper. The library director and treasurer review cash receipts monthly via the financial statements provided by the bookkeeper.

The business manager should make deposits but this may be delegated to the library director or treasurer to ensure that regular deposits are made. All checks received at the library will be immediately photocopied, and restrictively endorsed "for deposit only" with the account number of the relevant account. Deposits will be made weekly. Checks and cash will be secured in a safe, pending deposit.

Claims Audit Process

Based on the monthly purchasing and procurement, the business manager will prepare the monthly list of payments to be made along with the original invoice and check ready for signature. The treasurer will review this monthly report before the board of trustee meeting. Once reviewed, the library director will summarize the payments for inclusion as part of the board of trustee monthly financial packet for approval at the board of trustee meeting. Details of any item on the list will be available for review by any board member upon request.

Where disbursements are made on a routine and/or approved contractual basis, board approval is made at the time the annual budget is approved. Examples of such disbursements are the regular monthly utilities, payroll and annual insurance.

Credit Cards

Purchasing of library materials and supplies are completed by different departments at the library. Currently the library director, public relations/adult services coordinator and youth services coordinator have been issued credit cards, which are kept in locked offices when not in use. Use of a library credit card is approved by the employee's department supervisor. An employee using a credit card will sign it out from its corresponding credit card binder. They will write out on the appropriate form their name and budget code, and then once the purchase is made they will place the credit card along with the receipt with the budget code on it back into the credit card binder.

Disposition of Surplus Goods

Surplus property is defined as any personal or real property owned by the library that is no longer needed for the provision of library services. Property that is obsolete, broken, has no useful purpose, and is of nominal value may be disposed of with the approval of the library director by the most appropriate and cost-effective method. Surplus items that can neither be sold nor donated will be turned over for recycling if possible and economically feasible. The donation of surplus equipment to other local educational, charitable, social services, or to smaller library systems is encouraged. The library director is authorized to approve such donations on a case-by-case basis. The board shall approve the disposal of all assets with a useful life longer than one year, such as furniture, fixtures and equipment on the fixed assets schedule, as well as assets with a value of more than $1000 per item. Prior to the disposition of computers and peripheral equipment, the hard drives will be scrubbed of all sensitive data. Refer to the Inventory & Fixed Assets section of this document for proper accounting of fixed assets.

Financial Audit Schedule

The library's financial records will be fully audited by an independent Certified Public Accountant annually.

Internet Banking

Internet banking activities shall include daily viewing of account balances and transactions, accepting receipts, transferring funds among library accounts, and with board approval, making disbursements to pay for library expenses. The library director and the business manager are authorized to initiate and transmit board-approved disbursements to pay for library expenses. These transactions will be properly recorded by the bookkeeper and reviewed by the treasurer.

The library director and the business manager are authorized to conduct electronic banking transfers among library accounts. These transactions will be properly recorded by the bookkeeper and reviewed by the treasurer.

In addition to all controls listed as part of the Cash Disbursement Policy, online payment controls must include the following:

- Online bank access must be maintained within a secure computer environment including location of computer used and controls of multiple layers of password security.
- Each user's password must be changed quarterly.
- Invoices and other liabilities set up for online payment should be included in the monthly board-reviewed list of disbursements along with backup documentation.

Inventory and Fixed Assets

An inventory of furniture and equipment will be kept and reviewed by department heads annually. The furniture and equipment record should include descriptions, quantities, locations and where possible date of purchase and original cost. In addition to the written record, a video should be taken of each room in the library to provide a photographic record. Records must be updated whenever property is disposed of or acquired. All furniture and equipment that is inventoried should be marked as property of the library.

Fixed Assets shall be defined as all items valued at $1,000 or more that have an established useful life of longer than one year. All other items are considered expense items. Fixed Assets will be depreciated using the Straight Line method of depreciation.

Property that is discovered to be missing or stolen will be reported immediately to the library director and board. If not located, the property will be written off the books with proper notation specifying the reason.

Purchase/Procurement, Invoicing and Cash Disbursement System

- **Purchasing/Procurement**

  It is the policy of Patterson Library to follow a practice of ethical, responsible and reasonable procedures related to purchasing, agreements and contracts and related forms of commitment. The purchasing practices will follow the library's conflict of interest policy. The policies as set by the board of trustees shall be adhered to by all staff in the completion of their designated responsibilities.

  All department heads shall have the authority to initiate purchases on behalf of their department within the guidelines of the policies set by the library director and the annual budget set by the board of trustees. Only individuals authorized to make purchasing decisions will do so. The library director will approve all purchases.

  - ◊ Purchases totaling less than $2,500 shall rely on the library director to seek a reliable vendor for a reasonable price and quality.
  - ◊ Purchases totaling in excess of $2,501 to $5,000 shall seek quotes from at least 3 vendors, wherever possible.
  - ◊ Purchases in excess of $5,000 up to formal bid amount shall seek quotes from at least 3 vendors, wherever possible, in addition to requiring the approval of the board of trustees.
  - ◊ Over $20,000 for supplies and equipment or over $35,000 for capital projects will comply with the formal bid process approved by the board of trustees.
  - ◊ Where equipment, materials, parts and/or services are needed, quotations will not be necessary if the health, welfare, or safety of the staff and public is involved. However, the board of trustees should be notified of such purchases concurrently.

- **Invoicing**

  All invoices are reviewed by the department which placed the order and received the materials or service. Invoices are processed by the business manager by completing a payment voucher. The invoices are then verified by the library director before being sent to the bookkeeper for check printing and entering into the general ledger. The board approves all invoices for payment at their regularly scheduled board meeting.

- **Cash Disbursement**

  The cash disbursement policy is set to include vendor checks, expense reimbursement checks as well as wire transfer/online payments for vendors and other expenses.

  All checks and online payments will conform with the purchase/procurement policy. Generally, all vendors will be paid within 30 days of submitting a proper invoice and the confirmation of delivery of goods and/or services. The library director will monitor the total cash requirements associated with each check run in conjunction with available cash balances in the bank prior to the release of checks. The following controls will be followed:

- ◊ Checks must be utilized in numerical order
- ◊ Unused checks must be kept in a locked safe
- ◊ Checks shall never be made payable to “cash”
- ◊ Blank checks shall never be signed.
- ◊ All support documentation will be included with the check for review prior to check signature.
- ◊ Once checks are prepared, invoices shall be marked as paid with corresponding check number and date.

Check signing privileges:

- ◊ Checks less than or equal to $1,500 require a single signature by the library director, treasurer, board president or senior staff as defined by the board of trustees
- ◊ Checks in excess of $1,500 require dual signature by the library director or senior staff and either the treasurer or board president
- ◊ Where purchases are initiated by the library director, the library director will not sign the related check for payment.
- ◊ Check signers should have available the original supporting documentation to properly review before signing the check.

Payroll

The library contracts with an outside professional employer organization (PEO) for payroll processing and HR services. Time sheets cover the previous two weeks of work, and are processed on the Monday before the Wednesday payday. Employees are to complete and sign their time sheets and submit them to their supervisors for approval. The supervisors submit the approved time sheets to the business office where they are processed by the business manager and their assistant. The time sheets are then sent to the director for a final review and released by the business manager to the PEO for payment. Overtime approval is at the discretion of the department head, within the parameters of the annually approved budget.

Petty Cash

In most circumstances, employees should submit a check request for reimbursement of library-related expenditures. When this is not feasible, petty cash may be used to reimburse employees for minor expenses ($20.00 or less). The petty cash fund may not be used for personal cash advances.

The library director designates the business manager to be the petty cash custodian, and petty cash is secured by the business manager in a locked file cabinet in the business office. Employees must furnish an original, itemized, dated receipt to the petty cash custodian to be reimbursed. Cash advances are not allowed. However, mitigating circumstances may arise when the library director may choose to approve the release of petty cash for official library business before the expense has been incurred. Sales tax will not be included in the reimbursement. Tax exempt forms will be available for staff to use.

Travel & Conference Reimbursement

An employee or volunteer and their supervisor will select trainings/ meetings/ events to attend based on the job requirements, experience and educational needs of the particular position involved.

Staff members may be asked or may request to attend trainings/meetings/events; the library will make every effort to permit attendance. For travel and personal expenses involved in attending

such trainings/ meetings/ events, mileage reimbursements will be paid, and reimbursement for other expenses may be allowed.

When multiple employees or volunteers travel to attend trainings/meetings/ events, the number of reimbursements may be limited.

Reimbursement may be made for other library-related expenses. Mileage rates will be paid at the annual IRS Standard Mileage Rate.

Requests for reimbursement should be submitted to the business office quarterly at a minimum.