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# Financial Policies, Procedures and Internal Controls

## General

- The Board of Trustees is responsible for opening and closing all bank accounts and authorizing check signers.
- Financial institutions where Library accounts are maintained are notified immediately of any changes in check signing authority.
- The Treasurer shall present a monthly report to the Board consisting of a balance sheet, profit and loss - budget comparison report, checks and deposits.
- Applicable federal, state and administrative guidelines relating to specific grants will be followed.
- The Treasurer and the Bookkeeper will work with the Library accounting firm to ensure all federal and state reporting is filed in a timely manner and reviewed by the Board prior to filing.

## Receipts

### **1. Receipts Received through the Mail**

- Each day that the Library is open, and mail received, the Library Director, or the Head of Circulation Manager in the absence of the Library Director, will open and disburse the mail.
- Cash, checks and credit card payments are forwarded to the Library Director. The Library Director will give them to the Bookkeeper for entry into QuickBooks and deposit in the bank.
- All checks are immediately stamped with FOR DEPOSIT stamp, then given to the Library Director. The Library Director will submit checks to the Bookkeeper for entry into QuickBooks and deposit. A photocopy of each check is made by the Bookkeeper and filed.
- The Library Director will give a photocopy of donation checks to the Library Development staff. They will enter the donor information into the donor database and send a letter for tax purposes. The Library Development staff will keep a tally record of the donations which will be reconciled against the donor entries entered in Quickbooks.
- Cash must be counted by at least two individuals, attached to a report noting the amount, time, and reason for the cash receipt. The report shall be emailed to the Library Director and Bookkeeper.
- Incoming checks must be immediately endorsed "For Deposit Only" with the Library's account number. The person opening the envelope containing the check is responsible for stamping the enclosed check.

- Checks and cash must be deposited within 5-7 business days of their receipt.
- The Treasurer or Library Director will deposit checks and cash after they are recorded in QuickBooks by the Bookkeeper.

## **2. Payments Received at the Circulation Desk**

- Staff at the circulation desk may receive cash for various fees or services.
- All circulation desk transactions shall be recorded in the cash register (Square) at the front desk. This includes cash as well as credit card transactions.
- Checks must be stamped “Deposit Only” and placed in the Library Director’s folder immediately.
- The Head of Circulation will tally the week’s receipts and prepare a report outlining the monthly transactions. The report will be emailed to the Library Director and Bookkeeper for transparency.
- The Head of Circulation will submit a petty cash report to the Library Director who will submit it to the Bookkeeper. The Bookkeeper will prepare a deposit slip for the cash deposit. The Library Director will deposit it in the bank.
- No more than \$200 shall be kept in Petty Cash.

## **3. Receipts from Library Fair Activities**

- Library Fair: A Library Fair committee shall appoint Library Fair Bookkeeper(s) to handle all cash receipts on the days of the Library Fair.
- On the days of the Library Fair, money shall be collected and counted in a secure place by at least two people and deposited immediately into the library safe.
- Library Fair Raffle: Donations for raffle tickets prior to the Library Fair will be received through the mail and as well as electronically.
- The Library Director or assigned staff will reconcile the number of tickets sold with the payment received and submit a weekly accounting to the Bookkeeper. Money will be deposited by the Bookkeeper or Library Director into a designated raffle bank account.
- The Library Director or designated staff, will submit a final report to the Chairperson of the Library Fair detailing the number of tickets sold and total money received from the Library Fair.

#### **4. Receipts from Appeals or Other Events**

- The Library Director or designated staff, will maintain a database of all receipts, including cash, from the annual and spring appeals. The database will include amounts, names, addresses, phone numbers and email addresses of donors.
- The Library Director or designated staff will be responsible for sending a tax letter to all donors within 7 days of receiving each donation.
- The database receipts kept by the designated library staff must be reconciled quarterly by the Treasurer and/or Library Director against the receipts recorded in QuickBooks.

#### **5. Electronic Transactions**

- **The Library will work to implement new and existing technologies for financial transactions while continuing to accept cash payments.**

## **Disbursements**

### **1. Invoices**

- Invoices are stamped with a date, initialed and assigned the appropriate budget code by the Library Director.
- All invoices are reviewed by a designated board member for approval before being sent to the Bookkeeper for payment.
- Invoices must be paid within 30 days of the date of receipt.

### **2. Disbursement Process**

- Request Form stating the purpose, amount and, when possible, account code allocations will be submitted to the Library Director who will review all invoices.
- Invoices and corresponding Disbursement Request Forms are reviewed by the Library Director and submitted to the Bookkeeper, who will prepare the checks for the Treasurer's or Board President's signature and enter the information into Quickbooks the Library's accounting software. Checks should be attached to the corresponding Disbursement Form and should have all supporting material attached. Copies of the Form and supporting material will be kept in the Library's financial files.

### **3. Checks**

- Disbursements (including ACH payments) except for petty cash, are made by check.
- Only numbered checks are used and always in sequence.
- Signing of blank checks is strictly prohibited. Checks must be made payable to specific payees with appropriate documentation. Checks shall never be made to “cash” or “bearer.”
- Signature stamps may never be used to sign checks.
- Access to blank checks must be limited to persons authorized to prepare checks. Blank check stock must be locked in a secured place when not in use.
- A voided or spoiled check must be marked “void” and the signature portion removed. Voided checks must be maintained in a secure place, for three years.

### **4. ACH Accounts** (ACH stands for Automated Clearing House, a U.S. financial network used for electronic payments and money transfers. Also known as “direct payments,” ACH payments transfer money from one bank account to another without using paper checks, credit card networks, wire transfers, or cash.)

- List of ACH vendors/companies must be approved by the Board of Trustees and updated with any changes.
- ACH payments of \$3,000 must be approved by Board President, Treasurer, or Library Director

### **5. Large Purchases**

- For large, one-time purchases over \$3000.00 not anticipated in the budget, staff or the relevant board member will get two or more comparative estimates. The best option is then chosen for review by the appropriate Board Committee, which submits it to the Board for approval at its next meeting.
- The Dual Signature policy applies to this item.
- Although many unanticipated expenses may be covered by the facilities contingency fund in the annual budget, there may be instances when a large unanticipated expense exceeds this fund and requires immediate action. In this case, the Library Director will consult with the Board President, Treasurer, Chair of the Facilities Committee and, if possible, Executive Committee, to initiate an immediate response to the emergency. This action is reviewed by the board at its next meeting.

## **6. Capitalization Policy**

- The purpose of this document is to establish the accounting policy for acquisitions of tangible property to ensure consistent treatment of similar transactions.
- The term “Capital Asset” is defined as a unit of tangible property that is purchased for the day-to-day operations of the organization from which an economic benefit will be derived over a period of more than 12 months (useful life), and has a cost that exceeds the capitalization threshold.
- The Library defines the capitalization threshold at \$3,000 per invoice (which includes delivery fees, installation fees, etc.) incurred to bring the asset to the condition or location necessary for its intended use.
- All capital assets are recorded at historical cost as of the date acquired. Such assets include, but are not limited to: buildings, capital improvements, office furniture, fixtures, equipment, computers and other related technology or software. Depreciation on these assets is computed by the straight-line method over the estimated useful life of each asset.
- Any items costing below the capitalization threshold will be expensed in annual financial statements in the period it is acquired.

## **7. Vendor Accounts**

- Vendor accounts in which the library has established a credit account directly with a vendor, should be handled in the same manner as debit cards. Receipts must be acquired for each purchase, approved by the Library Director and submitted to the Bookkeeper with a Disbursement Request Form noting reason for purchase and account code.
- All vendor accounts must be authorized by the Board of Trustees
- Signatories on vendor accounts are at the discretion of the Library Director and Treasurer. A list of signatories is maintained by the Treasurer and reviewed annually during the budget process.

## **8. Office Supplies**

- The majority of office supplies are purchased through accounts set up by the Library. Authorized staff may make routine purchases, provided they are within the budget established by the Board. Processing procedures as detailed above apply.

## **9. Printing**

- Print jobs will be done in-house whenever possible. Large jobs are bid out by staff or board members. All bids are reviewed by the Library Director, the best offer will be accepted.

## **10. Petty Cash**

- The Library Director manages the petty cash fund. A \$200.00 fund is maintained and is replenished from the operating budget account as needed
- Cash is disbursed from the fund by the Library Director or Head of Circulation with a receipt or a signed note. The Head of Circulation submits a monthly report (with receipts attached) to the Library Director and Bookkeeper. The petty cash is kept in a locked safe.

## **11. Employee/Board Expense Reimbursement**

- Requests for travel reimbursement by staff other than the Library Director must be approved by the Library Director in advance. The Library Director plans travel within the parameters of the approved budget.
- Reimbursement requests must contain a detailed expense record, with supporting documentation. Forms from the staff are submitted to the Library Director for approval. The Director submits approved forms to the Bookkeeper for payment.
- Mileage and toll reimbursement for use of personal vehicles, if approved by the Library Director, will be paid at rates designated by MHL. The mileage rate is in lieu of actual expenses for the vehicle.

## **12. Sales Tax**

- The Library is designated by the Internal Revenue Service as a 501(c) (3) organization and is approved for exemption from the payment of sales taxes levied by New York State and/or any county therein. As a result, the Library should not and generally cannot pay for sales taxes on purchases. A Sales Tax Exemption letter is available at the Library.
- Library staff or Board members needing to make a purchase, either from a new vendor or for later reimbursement, must submit the exemption form to the vendor. Generally, the Library cannot reimburse Board members or

employees for sales tax and such taxes should not be included on a Reimbursement Request Form.

- In rare cases where a staff or Board member diligently tries to make a purchase without sales tax but could not for reasons beyond their control, a brief written explanation should be included with the reimbursement request.

### **13. ACH Approval**

- ACH stands for Automated Clearing House, a U.S. financial network used for electronic payments and money transfers. In an effort to streamline our automatic payment process while maintaining the highest standards of internal control ACH payments for recurring bills, such as utilities must be approved by the board. A periodic, in depth review will be done on these items quarterly. All other AP items will require the necessary approvals/ signatures as stated in the library's financial policy.

### **14. Disposal of Fixed Asset Policy**

- The purpose of this policy is to account for the disposal of capital equipment or supplies that are no longer necessary or that are obsolete.
- The Board of Trustees authorizes the Library Director to approve the disposal/transfer/sale of any equipment worth less than \$2,500.00 deemed no longer necessary.
- The Library Director will present the Board of Trustees with a list of equipment worth more than \$2,500.00 deemed no longer necessary, for approval for disposal.
- The Library Director will dispose of obsolete or unnecessary equipment or supplies in the following manner:
  - Through bid procedures, for the highest possible price
  - Offering to sell items to local non-profit organizations
  - Sale of items at a public sale, after announcements to the public have been made through appropriate means
  - Disposal of items of no value as scrap in the safest, least expensive manner, recycle if possible.
  - Any net proceeds shall be deposited into the general operating fund



- Such property and equipment will not be sold to a library employee except in the same manner as it is sold to other members of the public.

### **15. Bank Reconciliation**

- Original bank statements are reconciled by the Bookkeeper within seven days of receipt. The Treasurer reviews and initials the reconciled copy and places it with bank statements in the Library's financial files.

### **16. W9 for Independent Contractors**

- Tax law requires that anyone being paid more than \$600.00 in a calendar year must fill out a W9 form. The Library Director must inform the Bookkeeper when a W9 is not required. This could happen when a vendor is paid with one or more partial payments
- A completed W9 will be required of all independent contractors prior to payment..

### **17. Access to Financial Files and Software**

- The Library Director, Bookkeeper, Treasurer, and President shall have access to electronic financial records maintained by the Library. Such files should be maintained securely. For paper files, keys will be made available to the individuals noted above. Other individuals may, at the discretion of the Treasurer, be granted supervised access for a limited time. Accounting software must always be password protected with passwords provided to individuals with approved access.
- The Library Director, Bookkeeper, Treasurer and Board President should have access to paper financial files maintained by the Library.
- Such files should be maintained in a locked, secure location with keys available to the individuals noted above.

### **18. Accounting Data Backup**

- The Treasurer or Bookkeeper is responsible for creating timely backups of bookkeeping data via a removable device or in Intuit's QuickBooks software. The backup should be created after each session when changes are made, usually weekly.

- A backup of the entire computer, sufficient to restore the operating system and application software, should take place at least once per month. Backups may be stored in “the cloud” through Intuit. The backup should be stored on an external device and device locked in the library safe.

## **19. Annual Budget Preparation**

The Library Director, with the assistance of the Treasurer, is responsible for the preparation of the budget for the next calendar year. The proposed budget will clearly note projected income and expenses and provide a narrative explanation. The process is as follows:

- In September/October, the Director and Treasurer convene budget meetings with committees or individuals who have input into the budget.
- In early September or October, the Library Director prepares a proposed salary plan for the coming year. This proposal is reviewed by the Executive Board.
- Drafts of the proposed budget are prepared for appropriate committees (Development, Finance, Facilities, Personnel, etc.) for review and comment prior to submission of the completed budget to the Board.
- In October/November, the Director and Treasurer submit a completed proposed budget, with a narrative explanation, to the Board of Trustees.
- Distribution should occur so that board members have ample time to review the proposal prior to the budget vote in December at the Board’s final meeting of the calendar year (generally in early December).
- At the October meeting, the Board will discuss the proposed budget and either accept or send the budget back to the Treasurer and Library Director for revision.
- Revision of the budget may necessitate an additional Board meeting dedicated to accepting the revised budget.
- After acceptance, copies of the budget summary are made available to the public at the Circulation Desk and on the Library’s web site; and a vote to approve the proposed budget is made at the Annual Association meeting in January.

## **20. Audit**

- The Treasurer shall contract with an independent accounting firm to conduct a

financial review each year.

- A full audit will be conducted every five years. Requests for proposals will be sent out to three accounting firms.
- Financial reviews and audits should be maintained securely and made available to the public.

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