

FINANCE COMMITTEE PROCEDURES

Audit Process

1. Internal audits are conducted once a year.
2. The bookkeeper will provide the following information: bank statements, prior year vouchers, and access to the QuickBooks files. In addition, the bookkeeper will provide a listing of vendors and cumulative amounts purchased from individual vendors.
3. Board will verify that vouchers with attaching documentation are available with a spot check.
4. The board will review this document and verify that procedures are being followed.

Cash Handling

1. Each employee will use a cash register for front desk transactions.
2. Checks will be endorsed when they are received.
3. The governing board should establish a charge for checks returned for non-sufficient funds (NSF). Notifications of the NSF check charge should be included in all billings and posted in public view.
4. A sign will be posted notifying patrons that receipts can be issued for payments.
5. Staff members cannot cash personal or payroll checks from moneys in their cash drawers.
6. Staff members cannot accept checks for over the amount due.
7. A form will be used to indicate any errors/refunds not recorded by the cash register. These forms are placed in the transaction envelope at the end of the day.
8. On a daily basis, the final employee of the day will run a transaction report for the day from the cash register. He/she will make sure that there is \$50 in the register for the next day. He/she will put the report, any error forms, and the daily cash/checks in a transaction envelope. He/she will write the total for the day, any notes about discrepancies, the date, and his/her initials on the register receipt and the outside of the envelope. The employee will also sign a log with the total for the day.
9. The envelope will be placed in a locked file cabinet.
10. At the end of the each week, the director will take all the envelopes and total them in a spreadsheet. He/she will compare the cash register receipts to the totals in the envelopes. The transaction reports will be included along with the total for the bookkeeper to review. The monies for items sold on behalf of the Friends Group shall be given to them when the front desk deposit is prepared.
11. The Library Board Treasurer (or assistant treasurer) will deposit the at least once a month.
12. The bookkeeper will compare the totals prepared by the director, the transaction reports, and the bank deposits to determine if the amounts recorded are reasonable and consistent.

Claims Audit Process

1. A staff member other than the person who places orders (typically the director), will sign the packing slip when goods or services are received. When goods or services are delivered, receiving or packing slips should be verified against the quantity, type, and condition of the goods received.
2. To disburse funds, vouchers must be attached to verified packing slips and invoices and approved by the Board (required by the Library Charter). This approval may take the form of a warrant list, normally approved at the Board meeting. The warrant list is produced by the library director. The associated checks are printed by the accountant/bookkeeper, and the checks are signed by the treasurer.
3. The bookkeeper will compare the verified packing slip to the order before payments are made.
4. To disburse funds, vouchers must be attached to verified packing slips and invoices and approved by the Board (required by the Library Charter). This approval may take the form of a warrant list, normally approved at the Board meeting. The warrant list is produced by the library director. The associated checks are printed by the accountant/bookkeeper, and the checks are signed by the treasurer.
5. Put income in separate receivable control accounts for each type of billed receivable (for example lost books, printing, etc) to account for transactions related to the billed receivable process.
6. For recurring bills, such as utility bills, the Board may, on a yearly basis, approve one voucher and with an accompanying resolution, agree to pay these bills for the remainder of the year. These claims for pre-payments will be reviewed and approved monthly.
7. In the event that the Board does not meet or a time sensitive bill comes due, the library director will send a note to the Board members asking that they come to the library to approve and sign the warrant list. The warrant list will be approved when a simple majority of the full board signs the list.
8. The board will review the detailed financial report at their meetings. They will verify that budgetary funds are available before purchases are authorized for payment.
9. At year end, a copy of the financial records will be saved on secure media and filed with the annual reports.
10. Only the bookkeeper is authorized to make changes/additions to the QuickBooks file.
11. Limit access to computerized payroll applications and data files containing potentially confidential information such as social security numbers and deductions.
12. Whenever possible, consumable commodities such as copier paper and supplies are kept in a locked or controlled environment.
13. The library does not do any wire transfers.

Payroll

1. The Board approves all new hires/fires and salary changes.
2. All new employee positions (including job descriptions) should be formally created and the approval of the appropriate civil service agency or officer obtained when required.
3. Individuals should not be added to the payroll roster unless a vacant civil service position exists or the creation of a new position has been requested by the Library Board.
4. Only the bookkeeper has authorization to prepare and process payroll records.
5. Employees must fill out and sign time sheets on a biweekly basis.
6. The director's leave time is recorded by the bookkeeper on a spreadsheet and kept in his/her file.
7. Payroll checks should not be distributed to employees prior to the actual pay dates.
8. Requests for direct deposit are made in writing and kept in the employee's file.
9. A complete payroll will be submitted timely to the appropriate civil service agency for certification.
10. Keep payroll change forms in a locked cabinet.

Collection of Fines

1. The fines group the overdue notice is sent 14 days after going into Overdue status and a billed notice is sent 21 days after that. The no-fines group the overdue notice is sent 14 days after going into Overdue status and a billed notice is sent 14 days after that.
2. Staff will verify that items are not on the shelf before mailing our overdue notices. (This is a "reasonableness" check.)
3. Prepare a list of amounts due for overdue or lost books on a yearly basis.

Funds Management

1. Once a month, the Treasurer or a member of the Finance Committee will review photocopies of checks cleared by the Library's banks.
2. The signatory will compare the printed checks to the warrant list before he/she signs them. The checks will then be mailed directly to the vendor.
3. The Treasurer will confirm that the check numbers proceed in sequence from the previous month.
4. Checkbooks may not be removed from the library. Blank checks must be kept in locked file drawer.
5. Funds drawn from the money market account are to be deposited only in the checking account or the capital account.
6. Both the money market and checking accounts are to be reconciled monthly; our accountant/bookkeeper will flag any check from the money market account not written to the checking account or capital account. (The bookkeeper does not have any access to cash.) During bank reconciliation, check images and bank statements should be reviewed for anything out of the ordinary, such as suspicious payees, large dollar amounts, and secondary endorsements.
7. All check images should be retained in electronic format for audit purposes. Keep current year bank statements and check images in a secure location.
8. Shred all banking correspondence not required to be maintained to prevent duplication of checks and to limit access to bank account information.
9. Banks used by the Library will be approved by resolution at the January Board meeting and as required to meet changing banking needs. Interest rates will be reviewed in preparation for the January meeting and at the discretion of the Treasurer.
10. Banks used by the library will be set up with 3 signatories, which will be the current elected officers (President, Vice-President, and Treasurer).
11. Only signatories have the authority to prepare hand-written checks and only for items that the board has preapproved.
12. Signatories may never sign blank checks.
13. When a bank signatory leaves the Library Board, immediately contact the bank and revoke his or her check signing authority.
14. The Treasurer serves as the administrator on all accounts. The other signatories are sub-users on all accounts. The bookkeeper is a view-only sub-user on all accounts.

Petty Cash

1. Petty cash is secured in a locked location.
2. A voucher requesting reimbursement of petty cash expenses should be submitted to the Board Treasurer when the fund needs to be replenished. Original receipts for all petty cash expenditures should be attached to the voucher.
3. Petty cash checks reimbursement checks are made out to "petty cash." When the treasurer returns the cash replenishment to the library, a receipt is issued by the library.
4. The bookkeeper should periodically reconcile petty cash on-hand and reimbursed receipts to the petty cash amount authorized by the governing board.

Items Too Impractical to Implement

1. We currently operate on a cash (not accrual) system.
2. Each employee that places cash in the cash register should have his/her own assigned cash drawer or enter a unique register code.
3. On a daily basis, two employees should count the cash collected and compare the total to the cash register tapes. When cash is transferred from one employee to another the receiving employee should count the cash in front of the employee handing it over and both should get a copy of a duplicate receipt. (We don't always have two people working at the end of the day.)
4. At locations or departments that collect fines or fees, such as a justice court or a solid waste facility, post a sign that states, "Please call xxx-xxx-xxxx if you don't receive a receipt."
5. Assign an employee not responsible for check preparation to order checks, inventory them, and to identify reasons for gaps in numbering sequence. Issue pre-numbered checks in sequence. (The treasurer verifies that check numbers are not skipped when he signs checks from the warrant list.)
6. The petty cash fund should be kept in a locked drawer separate from other cash drawers. (Not enough money).
7. Petty cash should be run as a monthly voucher. (Only process when necessary).
8. Make checks payable to a specific payee or custodian – never to "cash" or "petty cash."
9. Inform all depositories in writing that only the chief financial officer (or other officers having custody of monies and authorized to have a bank account) or their deputies are permitted to open or close bank accounts for general governmental purposes. (Bank regulations restrict this already.)
10. The chief fiscal, or other authorized officer, or internal auditor should periodically ask each depository for a listing of all bank accounts carrying the local government's federal tax ID. (The online bank access already displays all bank accounts listed under the bank's federal ID number.)
11. Keep your federal tax ID number in a secure location not available to other officers, employees or to the public. (It is part of the state education annual report.)
12. Bills should include an identifying section to be returned with payment. The identifying section should include the name, address, account number, and method of payment (cash, check, money order)
13. The face of each bill should instruct customers to communicate complaints about billing and other record-keeping errors directly to supervisory personnel. (Primarily, the only bills that we send out are overdue notices. Staff has a procedure for these that culminates with the director.)
14. In a small municipality with few people involved in the financial operations, the total amount to be billed for each period should be recorded in the minutes of the board's proceedings.
15. The governing board or other authorized supervisory personnel should approve all billing adjustments, write-offs and refunds prior to such adjustments or refunds being made. The reasons for all adjustments should be documented and retained for audit purposes. (Overdue notices are handled by staff.)
16. The accuracy and completeness of delinquent lists prepared for levy or other enforcement actions should be verified by someone in a supervisory or oversight role.
17. Complete street addresses and Social Security numbers (or federal tax ID numbers) should be obtained for all vendors and entered into the vendor master file.
18. Use of electronic time clocks.
19. Even if not otherwise required by law, before checks are distributed, payroll registers or similar records should be certified by the officer or employee having direct supervision over specific departments or individual employees.

20. Undelivered payroll checks should be returned directly to the chief fiscal officer or other authorized officer for safekeeping and eventual cancellation, if warranted. (Direct Deposit)
21. Establish a separate bank account for payroll.
22. The payroll bank reconciliation should be performed by an employee who is not connected with the authorization of payroll changes or with payroll preparation.
23. Require the use of leave request forms to document advance requests to use leave credits and to document absences covered by the use of leave credits. (Too few employees)
24. Require that the physical control over assets and the maintenance of inventory records be divided among different departments when possible. (Too small an operation)
25. Assign responsibility for small, high-dollar value equipment such as laptops, projectors, and specialized hand tools to a specific employee. Safeguard highly portable equipment in limited access cabinets or storerooms when not in use.
26. Subject to statutory requirements, the preparation and maintenance of inventory records for equipment should be assigned to an individual who does not have custody of the equipment.
27. The governing board or other authorized body or officer should establish a centralized IT administration for overseeing computer and network operations.
28. Ensure that written agreements are in place specifying the roles and responsibilities of the service organization and the local government.
29. Verify (on a test basis) that source data provided to the bookkeeper has been processed correctly. For example, verify that the correct hours worked, leave credits used and pay rates have been accurately processed by the service organization.
30. Perform reconciliations between source documents submitted to the service organization and output generated. For example, compare the total gross payroll amounts submitted for processing to the sum of net payroll checks and other disbursements.
31. Review audit reports prepared for the service organization.
32. Service organizations should provide documentation regarding their controls governing access to computerized data and the methods they use to monitor the effectiveness of these controls.
33. Service organizations should detail their procedures for preventing and detecting unauthorized financial transactions from occurring and not being detected.
34. Service organizations should provide information about the frequency of backups, the existence of off-site storage, the length of time that historical data is retained, and the ownership of backup data if the contract with the service organization is not renewed.
35. Service organizations should be required to provide proof of insurance to indemnify the local government against errors and frauds committed by the service organization's employees, even if not otherwise required by law.