

FINANCE COMMITTEE PROCEDURES

Committee Responsibilities

The committee is responsible for overseeing financial operations.

This includes:

1. Hiring a bookkeeper
2. Preparing a budget
3. Conducting an in-house audit annually or hiring an auditor
4. Verifying that the library has Director's and Officer's Coverage Insurance (coverage in case a third party sues alleging that board decisions have caused them injury)
5. Verifying that the library has Crime Coverage Insurance (indemnify the library against errors and frauds committed by the library's employees)
6. Bonding the signatories

Audit Process

1. Internal audits are conducted once a year.
2. The bookkeeper will provide the following information:
 - a. bank statements
 - b. prior year vouchers
 - c. access to the QuickBooks files
 - d. listing of vendors with cumulative amounts of purchases
3. Board will verify that vouchers with attaching documentation are available with a spot check.
4. 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.
5. 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.
6. 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 make a deposit 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. (See Technology Committee procedures for computer hardware or software.)
2. Staff will attach vouchers to verified packing slips and invoices.
3. Staff will assign expenses to accounts for each type of billed receivable (for example lost books, printing, etc).
4. The bookkeeper will compare the verified packing slip to the bill. He/she will then enter the invoices into Quickbooks. She will print a warrant list showing all of the proposed expenses for the month along with checks to pay those expenses.
5. A member of the board other than the treasurer will review the vouchers and compare them to the attached packing slips and invoices. He/she will also verify that they appear correctly on the warrant list.
6. The Board approves the warrant list (required by the Library Charter). The warrant list is a motion approved at a board meeting with the total amount recorded in the minutes.
7. Once the warrant list has been signed, the treasurer then has authorization to sign the checks.
8. For recurring bills, such as utility bills, the Board may, on a yearly basis, agree to pay these bills for the remainder of the year. These claims for pre-payments will be reviewed and approved monthly.
9. 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. At the next board meeting, the approved warrant list will be entered into the minutes.
10. 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.
11. At year end, staff will work with the bookkeeper to review outstanding encumbrances.
12. At year end, a copy of the financial records will be saved on secure media and filed with the annual reports.
13. Only the bookkeeper is authorized to make changes/additions to the QuickBooks file. This includes the creation of new vendors.
14. Whenever possible, consumable commodities such as copier paper and supplies are kept in a locked or controlled environment.
15. The library does not do any wire transfers.
16. Allowed electronic transfers are defined in the Online Banking Policy.

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. The bookkeeper will be informed in writing of any payroll changes.
5. Only the bookkeeper has authorization to prepare and process payroll records.
6. Employees must fill out and sign time sheets on a biweekly basis. The Director signs off on the time sheets.
7. Each employee is emailed a paystub.
8. A board member compares a payroll report to the submitted time sheet summary before each board meeting.
9. The director's leave time is recorded by the bookkeeper on a spreadsheet and kept in his/her file.
10. Payroll checks should not be distributed to employees prior to the actual pay dates.
11. Requests for direct deposit are made in writing and kept in the employee's file.
12. A complete payroll will be submitted timely to the appropriate civil service agency for certification.
13. Keep payroll change forms in a locked cabinet. The bookkeeper, director, and Board signatories have access.
14. Limit access to computerized payroll applications and data files containing potentially confidential information such as social security numbers and deductions.

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 or hand delivered 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. The library director will be responsible for ordering checks.
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 for seven years. 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. Signatories are responsible for learning how to access the bank accounts online.
12. Only signatories have the authority to prepare hand-written checks and only for items that the board has preapproved.
13. Signatories may never sign blank checks.
14. When a bank signatory leaves the Library Board, immediately contact the bank and revoke his or her check signing authority.
15. 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.
16. A minimum for \$5000 (after encumbrances) should be maintained in the checking account at all times.

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 the treasurer by name. 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 Recommended but Not Implemented

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. The petty cash fund should be kept in a locked drawer separate from other cash drawers. (The petty cash fund is kept in a locked file cabinet with the front desk deposit).
6. Petty cash should be run as a monthly voucher. (Only process when necessary).
7. 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. The annual library reorganization document specifies signatories.)
8. 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.)
9. 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. The library is a 501C3 organization and anyone can request to see records and tax reports. Payroll reports and 501C3 forms are kept in a locked cabinet. The code to access the key for this cabinet is given to the director, the bookkeeper, and signatories.)
10. Electronic (as well as manual) billing records or reports should include the grand total billed to all customers for that period. (Delinquent total run once per year.)
11. 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). (The circulation system determines the format of our overdue letters.)
12. 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. The library has no control over the wording in this document. It is controlled by the library system.)
13. 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.)
14. 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. (Overdue notices are processed by the clerks. Before notices are sent out, the shelves are checked for the items.)
15. All purchasing forms should be sequentially numbered and have multiple copies.
16. 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.
17. Once goods or services have been approved for purchase, appropriations can be reserved for the estimated amount of the approved purchase or service by establishing an encumbrance. (Cash Accounting System)

18. Before the close of the fiscal year, the finance department should review all outstanding encumbrances and determine if amounts designated should be continued, adjusted, or cancelled. (Cash Accounting System)
19. Even if not required by statute, goods should be received and/or services rendered before a voucher or claim is submitted. (Performers need to be paid on the night that they perform.)
20. Use of electronic time clocks.
21. 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)
22. Establish a separate bank account for payroll.
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. Prior written authorization should be required for all nonemergency overtime hours. (Too few employees)
25. Management or the internal auditor should periodically review payroll change reports. When unusual changes are identified, those items should be traced to authorization documents (i.e., board minutes, payroll changes, or collective bargaining agreements)
26. Ensure that written agreements are in place specifying the roles and responsibilities of the service organization and the local government.
27. Review audit reports prepared for the service organization.