

# **Elting Memorial Library**

## **Financial Policies, Procedures and Internal Controls**

APPROVED: JUNE 25, 2020

AMMENDED: April 28, 2021

### **1.0 General**

-The Board of Directors is responsible for opening and closing all bank accounts and authorizing check signers.

-Financial institutions where Library accounts are maintained are notified on an annual basis of any changes in check signers following the transition of officers or changes in staff with check signing authority.

-The Treasurer shall present a monthly report to the Board consisting of a balance sheet and profit and loss. In addition, the Treasurer will present to the Board a quarterly report consisting of updated profit and loss compared to budget.

-Applicable federal, state and administrative guidelines relating to specific grants will be followed.

-The Treasurer will work with the Library accounting firm to insure all federal and state reporting is filed in a timely manner and reviewed by the Board prior to filing.

### **2.0 Receipts**

#### **2.1 Receipts Received through the Mail**

-Each day that the Library is open, and mail received, the Director, or the Circulation Manager in the absence of the Director, will check the mail. Cash, checks and credit card payments are forwarded to the Financial Manager for entry into QuickBooks and deposit.

-Appeal donations are sent to the Administrative Assistant who keeps a database of donors and sends IRS letters. The Administrative Assistant

will keep a tally of the donations which will be reconciled with the totals entered into QuickBooks by the Financial Manager.

-When possible, the Treasurer or Director will deposit the donations after they are recorded in QuickBooks by the Finance Manager.

-Cash must be counted by two individuals, to be approved by the Director, and attached to a form noting the amount, time and reason for the receipt. The form is initialed by the participating individuals. This is then distributed in the manner detailed above.

-Incoming checks must be 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.

## **2.2 Cash Received at the Circulation Desk**

-Staff at the Circulation desk may receive cash for overdue fines and other usage fees. A fund of \$35.00 is kept in a locked cabinet behind the desk for such purposes. A separate record is kept of each type of fee. At the end of the day, the Circulation Manager tallies the day's receipts and prepares a report for the Finance Manager leaving \$35 in the cabinet. The Circulation Manager checks these reports and submits them once a month to the Financial Manager for posting to QuickBooks. The Treasurer or Director will make the actual deposit if the amount exceeds \$200. The Director or Circulation Manager must approve any forgiven fees by initialing the forgiven fee in the report submitted to the Finance Manager.

## **2.3 Receipts from Board Fundraising activities**

-Library Fair: A Library Fair committee shall appoint a temporary bookkeeper to handle all cash receipts on the days of the Library Fair. On the days of the Fair, money shall be collected and counted in a secure place by at least two people and deposited immediately.

- Raffle: payments for raffle tickets prior to the days of the Library Fair are received through the mail and electronically. The Administrative

Assistant will reconcile the number of tickets sold with the payment received and submit a weekly accounting, including cash and checks, to the Financial Manager. Money will be deposited by the Financial Manager in a designated Raffle account.

--The Administrative Assistant will be responsible for submitting raffle applications with the Village and State prior to the raffle and will also file the appropriate New York State forms after the raffle allowing Elting Library to access funds in the Raffle account. The Administrative Assistant will also submit a final report to the Chairperson of the Fair detailing the number of tickets sold through cash and electronic transactions.

## **2.4 Receipts from Appeals**

-The Administrative Assistant 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 Administrative Assistant will be responsible for sending IRS tax deduction letters to all donors within 7 days of receiving each donation.

-The amounts from the database kept by the Administrative Assistant must be reconciled on a quarterly basis with the amounts in the QuickBooks account maintained by the Financial Manager.

## **2.5 Electronic Transactions**

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

## **3.0 Disbursements**

### **3.1 Invoices**

-Invoices, except for utilities and house accounts, are initialed and dated by the relevant staff person or board member when they arrive in the mail or are handed in at the desk. All invoices are reviewed for due date and matched, when relevant, with the appropriate delivery ticket or sales order. A Disbursement Request Form is completed with the invoice attached and submitted to the Financial Manager for payment.

-Receipts from purchases made on house accounts must be submitted to the Financial Manager.

### **3.2 Payment Processing**

-All invoices require a Disbursement Request Form stating the purpose, amount and, when possible, account code allocations. Generally, the Library Director or relevant board member will receive and review all invoices and prepare the Disbursement Request Forms. Other staff may, in the course of business, also receive invoices and prepare Disbursement Request Forms. In these cases, prepared forms and invoices are submitted to the Library Director for approval.

-Invoices and corresponding Disbursement Request Forms are reviewed by the Director and submitted to the Financial Manager, who will prepare checks for the Treasurer's, Director's or Board President's signature and enter the information into 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.

### **3.3 Checks**

-Disbursements, 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 are never 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.

### **3.4 Dual Signature Policy**

-Any transaction for an amount at or above \$3000.00 requires the signatures of any two of the following: Library Director, Treasurer or the Board President.

### **3.5 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 Director or Facilities Manager will consult with the Board President, the Chair of the Facilities Committee and, if possible, the Executive Committee, to initiate an immediate response to the emergency. This action is reviewed by the board at its next meeting.

### **3.6 Capitalization Policy (approved 2.25/16)**

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.

This Organization defines the capitalization threshold at \$2,500 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 (books) in the period it is acquired.

### **3.7 Debit Cards**

-The Treasurer and Director are authorized to issue agency debit cards. Such cards must be held only by the named individual. They are to be used only for the organization's business-related purchases for which a credit account with a vendor is not available and using a check is not feasible. No personal expenses are to be made with these cards and use at an ATM is prohibited.

-Debit cards are tied to an account totaling no more than \$1000.00

-Original receipts are to be kept with each purchase and submitted within two business days to the Treasurer with a Disbursement Request Form clearly noting the debit card #, name of holder, the date and reason for the purchase.

-Debit cards may be revoked at any time by the Board or the Executive Committee and must be returned to the library when an employee is terminated, or the Trustee leaves the board.

-Debit cards will be attached to a separate bank account containing no more than \$1000.00 which will be replenished monthly from the operating fund with a check authorized by the Treasurer.

### **3.8 House Accounts**

-House 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 Director and submitted to the Financial Manager with a Disbursement Request Form noting reason for purchase and account code.

-All house accounts will be authorized by the Board.

-Signatories on house 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.

### **3.9 Office Supplies**

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

### **3.10 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 Director or relevant board committee and the best offer will be accepted.

### **3.11 Petty Cash**

-The Library Director manages the petty cash fund. A \$200.00 fund is maintained and replenished monthly. Cash is disbursed from the fund by the Director only with a receipt or a signed note. The Director submits a monthly report (with receipts attached) to the Financial Manager who writes a check to maintain the balance at \$200.00. The petty cash is kept in a locked cabinet. Only the Director and the Circulation Manager have access to a key.

### **3.12 Employee/Board Expense Reimbursement**

-Requests for travel reimbursement by staff other than the Library Director must be approved by the Director in advance. The Library Director plans travel for himself or herself and the staff within the parameters of the approved budget.

-Reimbursement requests must contain a detailed expense record, with supporting documentation. Forms from the Library Director or board members are submitted to the Treasurer. Forms from the staff are submitted to the Library Director for approval. The Director submits approved forms to the Financial Manager for payment.

-Mileage reimbursement for use of personal vehicles, if approved by the Director, will be paid at rates designated by MHLs. The mileage rate is in lieu of actual expenses for the vehicle.

### **3.13 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.

### **3:14 AHC/Blanket Approval**

*In an effort to streamline our AP process while maintaining the highest*



*standards of internal control we would like to implement a blanket approval ACH process for standard recurring items such as utilities (a list will be provided). 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 libraries financial policy.*

For example, the list of recurring payees covered by this policy could include Central Hudson, Time Warner Cable, Fischer Security & Electric Systems Inc, Erichen's Fuel Service.

#### **4.0 Disposal of Fixed Asset Policy (approved 2/25/16 Amended 6/8/20)**

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 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 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 dispose of obsolete or unnecessary equipment or supplies in the following manner:

1. Through bid procedures, for the highest possible price
2. Offering to sell items to local non-profit organizations
3. Sale of items at a public sale, after announcements to the public have been made through appropriate means
4. Disposal of items of no value as scrap in the safest, least expensive manner, recycle if possible.
5. Any net proceeds shall be deposited into the general operating fund
6. 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

## **5.0 Bank Reconciliation**

- Original bank statements are reconciled by the Financial Manager 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.

## **6.0 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 Financial Manager when a W9 is not required. This could happen when a vendor is paid with one or more partial payments.

- Payments to Independent contractors will be made on approved invoices, which should include the contractor's name, address, Federal Tax ID number or, in absence of a Federal ID, social security number, an explanation of service provided and the total amount due.

## **7.0 Access to Financial Files and Software**

-The Financial Manager, Treasurer and President should have access to electronic financial records maintained by the Library. 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, Financial Manager, 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.

### **7.1 Accounting Data Backup**

-The Treasurer or Financial Manager is responsible for creating timely backups of bookkeeping data. If the accounting software offers an option to create a backup of its key files, placing a copy on a removable device or in "the cloud" is adequate. (QuickBooks has such a capability.) 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 stored in “the cloud” usually do not support reconstructing the entire system so should not be used. The backup should be stored on an external device or transmitted to another computer.

-Both types of backup shall be stored offsite.

## **8.0 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 October, the Director and Treasurer convene budget meetings with committees or individuals who have input into the budget.

-Also, in October or early November, the Director prepares a proposed salary plan for the coming year. This is reviewed by the Personnel Committee.

-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 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 Board’s final meeting of the calendar year (generally in early December).

-At this meeting, the Board discusses the proposed budget and either accepts it or sends it back to the Treasurer for revision.

-Revision of the budget may necessitate an additional Board meeting dedicated to accepting the revised budget.

-After acceptance, copies are made available to the Association members 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.

## **9.0 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 made available to the Association.