

## **Hepburn Library of Hermon**

### **Policy on Internal Fiscal Controls:**

The Board of Trustees of the **Hepburn Library of Hermon** are committed to safeguarding the resources in their care through the use of effective internal controls.

The below-listed practices and procedures set forth the internal controls used by the board to meet this commitment.

#### Monitoring

To ensure that controls are effective, the Board and Library Director will regularly review available documentation and accounting records to confirm that controls are being executed as designed. The Board and Library Director will also consider the feedback received from employees.

#### Segregation of Incompatible Duties

There are three categories of duties or responsibilities that are examined when segregation of duties is discussed:

- Custody of assets
- Authorization or approval of transactions affecting those assets
- Recording or reporting of related transactions.

Employees performing any one of the above functions do not also have responsibilities in either of the other two functions. This is to prevent one person from having access to assets and responsibility for maintaining the accountability or authorizing transactions affecting those assets, checks, and inventories.

If temporary or budget-driven concerns ever make 100% segregation of duties impossible, the Board will direct the following compensating controls: joint weekly review of all funds in custody, weekly review of approved transactions, and weekly review of transactions by the treasurer and one trustee on a rotating basis.

#### Cash Handling

The Library uses the following controls for cash handling:

Centralized cash collections-

Assign a separate cash drawer to each employee responsible for collecting cash.

Restrictively endorse checks as soon as they are received.

Instruct collectors that personal or payroll checks cannot be cashed from moneys in their cash drawers.

Instruct collectors not to accept checks for amounts over the amount due.

Where no other evidence satisfactory for the purpose of audit is available, a serially press-numbered duplicate receipt form should be issued for any cash, checks, or money orders received. One copy should be provided to the customer and one copy should be retained for audit purposes.

The office copy of issued receipt forms should be periodically reviewed by supervisory personnel, and any gaps or missing receipt forms should be investigated. Both copies of voided receipts should also be retained.

**NOTE:** *A requirement for receipts is set forth in statute. General Municipal Law Section 99-b requires every officer or employee who receives payment of money for or on behalf of a local government to issue a receipt to the person paying, when no other evidence satisfactory for the purpose of audit is available. The statute also requires that the officer or employee retain a copy of the receipt. The receipt and copy must be numbered consecutively.*

### Deposit Procedures

Secure undeposited cash and prepared deposits in a vault or safe (or other locked storage) until they are deposited in the bank. Restrict access to the vault or safe or keep other storage methods locked when not in use.

Deposit cash timely.

Deposit cash receipts intact. NOTE: *“Intact” means that all cash collected since the last deposit must be deposited in the same form as it was collected (cash, check, or money order).* This practice deters the cashing of checks from the proceeds of collections.

Prepare and maintain detailed deposit slips. Deposit slips must be detailed enough to identify the composition of the deposit between cash collected and individual checks deposited. This enables cash receipt transactions to be easily identified, traced, and corrected if detailed deposit slips are prepared.

The person who performs the bank reconciliation should be the final custodian of all deposit slips. This will allow any discrepancies identified during bank reconciliations to be resolved by comparing the activity in the bank and accounting records to deposit slips.

The charge for checks returned for non-sufficient funds (NSF) is \$50. Notification of the NSF check charge should be included on all billings and posted in public view.

## Record-Keeping Procedures

Record receipts in the accounting system timely.

For each cash drawer, daily cash collection records or cash register tapes should be reconciled to the amount of cash on hand at the end of the day (sometimes referred to as the daily "cash-out").

Employees responsible for collecting cash and preparing bank deposits should not record cash transactions in the accounting records.

## Cash Disbursements

The Library makes a variety of cash disbursements, mostly by check, but to a lesser degree by wire transfer for bond and note payments; by direct deposit for net payroll amounts when properly authorized; and, in cash, for petty cash disbursements. The following "cash disbursements" controls are to reduce the risk of theft or loss occurring during the preparation, authorization, and distribution of checks.

This section also covers controls related to banking, petty cash, and wire transfers.

Blank checks and check stock shall be kept secure at all times in the treasurer's possession.

The Library shall make checks payable to a specific payee or custodian - never to "cash" or "petty cash."

## Check Signing Procedures

The official responsible for check preparation and signing should not have the authority to solely (or individually) audit and approve claims for payment.

Check signing authority is limited to President, Vice – President, Secretary and Treasurer (NOTE: this shall always be as few officers as possible and only to those positions authorized to sign checks).

The official responsible for signing checks will compare prepared checks to an audited and approved warrant or a payroll register prior to releasing such checks.

Electronic signature disks or other forms of facsimile signatures shall be secured in a locked location under the control of the signatory. Signature disks or other facsimile signatures should only be used under the direct supervision of the official (or deputy) whose signature is on the disk.

No library authority will sign blank checks.

After checks are printed, someone outside the check processing function should account for all checks printed, voided or returned to stock unused.

### Petty Cash Procedures

A petty cash fund has been established and will be increased or decreased only per a resolution of the Board. The resolution will establish the custodian and amount for the fund. Petty cash funds will always be authorized at the lowest amount practical.

Custody of the petty cash fund is assigned to only one employee, the **Library Director**. As petty cash custodian, the **Library Director** should handle all petty cash transactions and should secure the fund in a locked location separate from other cash drawers.

A voucher (or claim) requesting reimbursement of petty cash expenses should be submitted to the Treasurer and original receipts for all petty cash expenditures should be attached to the voucher. This is to provide proof of what was purchased and are the basis for replenishing the fund.

The custodian of the petty cash fund the **Library Director** should periodically (no less than quarterly) reconcile petty cash on-hand and unreimbursed receipts to the petty cash amount authorized by the Board.

### Bank Accounts and Bank Reconciliation Procedures

The library will inform all depositories in writing that only the Treasurer and President, or their deputies, are permitted to open or close bank accounts for general governmental purposes.

The Library's federal tax ID number will be in a secure location not available to other officers, employees, or to the public.

When a person is authorized to sign checks leaves the Library, the Board President, Treasurer or **Library Director** will immediately contact the bank and revoke their check signing authority, online banking capabilities, and destroy his or her signature disk.

Bank reconciliations will be prepared monthly and any differences between net bank balances and general ledger cash accounts will be researched and explained. Bank reconciliations will be performed by an employee or trustee who does not have custody or access to cash and who does not record cash receipt, cash disbursement, or journal entry transactions.

During the bank reconciliation process, check images (or cancelled checks) and bank statements should be reviewed for anything out of the ordinary, such as suspicious payees, large dollar amounts, and secondary endorsements. All check images will be retained in electronic format for audit purposes.

The Library will keep bank statements and check images in a secure location.

The Library will shred all banking correspondence not required to be maintained to prevent duplication of checks and to limit access to bank account information. Banking correspondence (including bank statements and check images) must be maintained for the period of time specified in the appropriate records retention schedule.

### Billed Receivables - Overdue notices and lost book fees

Properly Designed Records:

1. Individual customer accounts should include sufficient information to identify the names of the individuals responsible for payment of the bill, location of the property, mailing address (if different), account number, usage (actual or estimated), billing rates, and amount billed. A unique customer account code should be established for each account.
2. Electronic (as well as manual) billing records or reports should include the grand total billed to all customers for the period.
3. Bills should include an identifying section to be returned with the payment. The identifying section should include the name, address, account number, and method of payment (cash, check, money order).
4. The face of each bill should instruct customers to communicate complaints about billing and other record-keeping errors directly to supervisory personnel.

### Procurement Procedures

The line of authority for approving purchases (before they occur) should be established in Library Board Resolution & approved annual budget.

Where practical, the approval to purchase goods or services should be authorized by personnel other than the employee requesting the purchase.

When possible, the approval to purchase should also be segregated from the receiving of goods and services.

All purchasing forms (such as requisitions and purchase orders) are designed to include specific details about the items or services to be purchased including quantity, costs, model numbers, terms of sale, availability of appropriations, and approvals to purchase.

All purchasing forms are to be sequentially numbered.

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.

Before the close of the fiscal year, the Treasurer will review all outstanding encumbrances and determine if amounts designated should be continued, adjusted, or cancelled.

When goods or services are delivered, receiving or packaging slips are to be verified against the quantity, type, and condition of the goods received. Amounts received should also be compared to amounts ordered, as described on the purchase requisition or purchase order. Verified receiving slips should be forwarded to the person responsible for preparing the claim voucher.

When possible, the responsibility for the receipt and verification of items ordered should be segregated from the employee who requested or authorized the purchase.

With certain exceptions, purchases of goods in excess of \$20,000 and contracts for public work (e.g., services) in excess of \$35,000 must be acquired in accordance with competitive bidding requirements.

The Library will adopt its own policies and procedures for procurements of goods and services not required by law to be competitively bid, as follows: when allowed, alternative proposals or quotations will be obtained by use of written requests for proposals (RFPs), written or verbal quotations, or other methods documenting the process, for procurements that are not subject to bidding requirements.

#### Related to employment

The Library Board shall establish and approve all salary and hourly wages by position or as part of a collective bargaining agreement. Subject to statutory requirements and collective bargaining agreement provisions, the Board or officer should also establish a list of benefits to which employees are entitled.

Payroll authorizations (hiring/firing, pay rate setting, and other payroll changes) shall be separate from the preparation and processing of payroll records and checks.

All changes in employment status (e.g., additions and terminations), salary, and wage rates should be properly authorized, approved, and documented to support employment status changes. When appropriate, payroll change forms should be used to document and authorize wage and salary changes authorized by the Board. The **Library Director** will ensure timely advertisement on job postings, changes to job descriptions, and compensation.

Employees shall be required to document days and hours worked and leave credits used on either time sheets or time cards. Time sheets and time cards should be reviewed and approved by supervisory personnel who have direct contact with the employee.

The Library will maintain leave accrual records and communicate leave balances to employees regularly.

Payroll checks should not be distributed to employees prior to the actual pay dates.

Requests for direct deposit should be made in writing and kept on file for audit purposes.

The Library will establish a separate bank account for payroll transactions; the Library will reconcile the payroll account monthly.

A complete payroll shall be submitted timely to the appropriate civil service agency or officer for certification.

All new employee positions (including job descriptions) will be formally created and the approval of the appropriate civil service agency or officer obtained when required.

Individuals will 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 or other appropriate body or official.

*Adopted by Hepburn Library of Hermon Board of Trustees on February 28, 2023*