

# **Presque Isle District Library**

## **Internal Controls Policy**

### **Delegation of Authority**

- The Board delegates the authority for developing internal control procedures to the staff of the organization which are then reviewed by the Board.
- The Board retains an auditing firm annually to perform a financial audit of the organization and produce audited financial statements.
- The Board retains the authority to authorize other audits to review activities not included within the scope of the financial audit.

### **Board Review**

The Director will provide at monthly meetings a report on the ‘Checks Printed since Last Meeting’ and a report on ‘Accounts Payable.’

At quarterly Board meetings, the Director will provide in addition to the two reports mentioned above, reports on: Account Balances, Balance Sheet, Monthly Expenditure and Year-to-Date Budget.

A Board member will review paid invoices and payroll on a monthly basis.

### **General Practices**

All financial activity advances the purpose of the organization, either for program activity, general and administrative support, or fundraising.

Staff members responsible for tasks relating to financial transactions have a level of training and experience that enable them to exercise the level of skill and judgment required by the most critical aspects of the task.

Funds are secured at each location either in a cash box or cash register.

No person makes commitments for the organization beyond their level of authority.

More than one person is involved in the completion of every financial transaction.

An assessment is made of additional separation of duties and rotation of responsibilities.

Care is taken to ensure that closely related individuals are not in a position of reviewing or authorizing each other’s transactions.

There is no significant period of time in which tasks relating to financial transactions are not performed.

An assessment is made of the risks involved in all financial transactions and in maintaining the financial and physical property of the organization. Procedures are established to reduce the risks that are identified. Procedures balance the risk of loss with the cost of controls.

All erroneous or irregular material variances, losses, shortages, or thefts of Library funds or property, or funds or property the District Library holds in trust, shall be reported promptly to the Library Director or the Board of Trustees of the Library.

### **Record Keeping**

Transactions are recorded in the accounting system of the organization as close as possible to the time when they occur.

Transactions are classified and recorded accurately based on objective criteria and consistent treatment of similar transactions.

Documentation of accounting transactions is clear and legible.

The media on which documentation is recorded remains readable until the time when the record is destroyed.

Special care is taken to identify and to record accurately non-cash financial transactions, whether they result in income, expense, assets, or liabilities.

Activities are not recorded on a net basis. When an activity includes transactions that increase and decrease a financial account, the increase and decrease transactions are recorded separately.

### **Fundraising**

The Board is informed in advance of the purpose for which outside funding is solicited.

Care is taken to ensure that money received for specific purposes is used for those purposes and that reporting is provided as required by the provider.

### **Cash Disbursements**

The purpose of each expense transaction is documented at the time of the transaction. The extent of documentation is based on the transaction's size, frequency of similar transactions, and reporting requirements of contracts or restricted grants.

Documentation with each transaction provides adequate explanation for an independent reviewer unfamiliar with the details of the transaction.

Special care is taken to ensure frequent reconciliation of accounts with the financial institutions that hold the accounts.

All disbursements are initiated by a person other than the person who prepares the check.

All checks are required to have two signatures, the Director and/or designated staff member and/or any four (4) of the Board members. Access to blank checks is limited to the Director and

Office Manager. Any voided checks must be marked "Void," and retained in appropriate secure files.

Care is taken to prevent duplicate payment for the same goods or services.

Petty Cash is distributed to all library branches. All cash disbursements are made only from Petty Cash. All disbursements must be recorded promptly and allocated to appropriate budget categories. The Library Manager is responsible for and must approve all cash disbursements from Petty Cash. The Office Manager authorizes and records expenditures. Petty Cash accounts should be reconciled as indicated in the manager's finance schedule.

### **Deposits**

Library Managers will collect cash from their branch library (see Services Policy) and will record these transactions on the Cash Drawer Journal. At the end of the month, the manager will record these transactions both on the Cash Drawer Worksheet and Cash Drawer Journal Summary. These forms and funds are turned into the Office Manager who reviews funds and summary. The Director then reviews funds and summary and enters into accounting system and deposits funds. Monthly cash drawers are secured in the Office Manager or Directors locked offices during non-operating hours pending deposit.

The Director will make deposits but may be delegated to the Office Manager to ensure that regular deposits are made. All checks received at the library will be endorsed 'for deposit only' to the library's account. Deposits will be made weekly at a minimum.

### **Personnel**

Payment for employee compensation or benefits is made only on behalf of bona fide employees for services performed as authorized and documented in employee time and attendance records.

Personnel additions, employment contracts, separations, wage rates, salaries, deductions, and severance payments are authorized and documented in the payroll accounting records.

There are written personnel policies and procedures made available and applied equitably to all employees that provide for consistency in recruitment, compensation, discipline, separation, and termination of employees.

Employees are hired, compensated, and separated in compliance with applicable federal and state laws, as well as contracts and restricted grants.

Automatic deductions from payroll include federal income tax, state income tax, FICA, county income tax, court-ordered garnishments, and insurance when applicable.

Employee leave balances are tracked and regularly verified.

### **Internal and External Reporting**

Internal financial reporting is on a basis consistent with external financial reporting.

Financial statements present adequate information to serve as the basis for informed review.

All requirements are met for federal and state registration and all taxes are paid.

### **Accounting Information Systems**

Accounting records are organized to facilitate retrieval of documents when needed.

Accounting records are retained until the time designated for destruction and they are destroyed when that time arrives. State of Michigan Records Retention and Disposable Schedule is followed and maintained.

Legal documents such as executed contracts and personnel records are kept separate from accounting records.

Other systems that provide information to the accounting system are identified. Special care is taken to ensure reconciliation of balances and continuity of an audit trail between the accounting system and other systems and to ensure that the records in the other systems are retained as appropriate for accounting records.

Special care is taken to ensure the integrity of computerized accounting records.

Care is taken to ensure that technical support is available for accounting systems and other systems that provide information to the accounting system.

Internal control policies are maintained during transitions in computerized accounting systems and other systems that provide information to the accounting system.

**Adopted: November 2, 2023**