



WESTCHESTER PUBLIC LIBRARY

Internal Controls Policy

INTRODUCTION

Westchester Public Library strives to make the most effective and efficient use of its resources. A sound internal control system provides reasonable assurance that the Library will handle its resources with transparency and accountability. The Library works to ensure that the five components of internal control are continually present and operating throughout the Library system.

COMPONENT ONE: CONTROL ENVIRONMENT

1. The Library makes every effort to maintain accountability and ethical behavior from the top down.
2. The members of the Library Board of Trustees (Library Board) are carefully selected and introduced to their roles and responsibilities as prescribed in the IN the Public Trust manual.
3. The Library Bookkeeper, Library Director, and Library Board Treasurer are bonded.
4. The Library carries D&O (Directors and Officers) liability insurance on the Library Director and Library Board.
5. Library policies and procedures comply with Indiana State Board of Accounts Uniform Compliance Guidelines.
6. The Library has clear procedures regarding hiring, training, and evaluating personnel.
7. The Library maintains an organizational chart that defines the delegation of authority.
8. Each department of the Library has well-defined and accessible procedures that support the policies of the Library.
9. All Library personnel are trained in internal controls, and documentation of training is maintained for audit.

COMPONENT TWO: RISK ASSESSMENT

1. Library Managers and Administration consistently work to identify and reduce risks to financial loss.
2. Library Managers and Administration consistently work to identify and reduce risks to material loss.
3. Library Managers and Administration consistently work to identify and reduce risks of fraudulent reporting, misappropriation of assets, theft, and corruption.

4. Any variances from established and documented procedures are immediately brought to the attention of and thoroughly investigated by Library Managers and Administration.

COMPONENT THREE: CONTROL ACTIVITIES

1. The Library maintains updated policies and procedures to support the daily activities of the Library and to help reduce risk as a whole.
2. The Library Board annually approves Library salaries and wage ranges.
3. The Library Director is responsible for hiring, terminating, and approving promotions; the Bookkeeper is promptly notified in writing of any employee status or pay rate changes.
4. The Library uses an accounting software system approved by the Indiana State Board of Accounts to track receipts and disbursements.
5. The Library Director oversees the Bookkeeper and reviews all financial reports and transactions.
6. Library financial reports are presented to the Library Board for review and approval on a monthly basis.
7. Personnel records are stored in a secured location.
8. Background and reference checks are completed for all new employees; background check results may result in revocation of employment agreement with the Library.
9. Time, attendance, and benefit accruals are maintained electronically and in hard copy ledger.
10. Employee time and attendance records are approved by corresponding Managers; the Bookkeeper ensures every time card has a Manager signature before processing payroll.
11. Corrections to recorded time and attendance records must be approved by the Manager of the employee and authorized to the Bookkeeper by the Director.

Payroll:

1. The Library Bookkeeper is responsible for preparing vouchers and warrants, and processing payroll.
2. Library employees are paid via direct deposit into an account at the financial institution of their choice.
3. Payroll deposits are verified with the direct deposit confirmation.
4. The signature stamp of the Library Board Treasurer is kept in a secured location to be used only with Assistant Treasurer and Bookkeeper joint approval.
5. The Assistant Bookkeeper is trained as a back-up to perform the payroll process.
6. Payroll is automatically posted to the accounting software and reconciled as part of the month-end process and quarterly report.
7. Access to payroll software applications is appropriately controlled by user logins and passwords.
8. The payroll software system is electronically backed-up on a daily basis to a secured location in-house and through the payroll software proprietor.

Purchases:

1. Upon receipt of an order, the hard copy request, along with the packing slip/invoice, is submitted to the Bookkeeper for payment processing.
2. The Director is responsible for adding all non-loanable capital purchases equal to or greater than \$5,000 to the Library fixed assets inventory.
3. Quarterly appropriation reports are distributed to all Managers with library collection purchasing responsibilities, that they may monitor balances; the Director also reviews and monitors these reports.
4. All Library materials purchased to be loaned to patrons are entered, received, and accounted for in the acquisition module of the integrated library system (ILS) software.

Disbursement Activities:

1. Responsibility for acknowledging receipt of goods or services is segregated from those preparing claims and writing checks.
2. Invoices and other receipts are attached to each claim and submitted to the Bookkeeper support the disbursement.
3. The responsibility for approving claims is segregated from those preparing the claims.
4. Checks are written by an individual other than the one approving the claim.
5. Checks are signed by the Library Board Treasurer or other Library Board-approved entity.
6. Checks are accounted for in numerical order and reconciled to the disbursement ledger.
7. Checks are never issued as payable to "cash."
8. Access to the accounting software is appropriately controlled by user logins and passwords.
9. A reconciliation is completed between the claims for payment approved by the Library Board and the actual disbursements posted to the ledger.
10. A review is completed by an individual outside the disbursement process in which the claim amount is compared to supporting documentation attached to the claim, as well as the amount of the check.
11. All payments are approved during an open Library Board meeting and documented in the meeting minutes.
12. All Credit card statements, payments, and supporting documentation are maintained for audit.
13. Control deficiencies identified in an external audit will be immediately addressed in a corrective action plan.

Receipting Activities:

1. Desk staff are responsible for collecting money and recording the amount and reason in the patron online account, and on a paper record at the cash drawer; staff initials are written on paper records and receipts are issued from the Bookkeeper to Managers daily.
2. Department Managers and designated branch staff are responsible for counting and reconciling daily receipts before they are submitted to the Bookkeeper.

3. The Director or Bookkeeper receipts any funds that may arrive in the form of grants, donations, and other miscellaneous sources; these are included in the daily deposit.
4. The Bookkeeper is responsible for bringing deposits to the bank; in the absence of the Bookkeeper, the Assistant Bookkeeper or Branch Manager brings the deposits.
5. Department receipts and deposit slips are posted daily by the Bookkeeper; receipts indicate the type of payment received and are reconciled to the bank deposit.
6. The responsibility for collecting money and issuing receipts is segregated from those preparing the bank deposit.
7. Pre-numbered receipts are issued for all money collected and the duplicate receipts are retained.
8. Receipts are reconciled to the cash receipts ledger by an individual other than the one collecting money and issuing receipts.
9. Posting of receipts to the ledger is completed by an individual other than the one who collects money and makes the deposit.

Cash Activities

1. A reconciliation between the records cash balance and the bank balance, between the receipts ledger and the credits to the bank account, and between the disbursement ledger and the debits to the bank account is completed monthly by both the Bookkeeper and the Director.
2. The monthly reconciliation between the cash balance and the bank balance is reviewed and approved by the Library Board.
3. Petty cash is kept at \$100; the Bookkeeper balances the petty cash ledger each month with the receipts for purchases. Disbursements from and reimbursements to petty cash funds are reviewed monthly by the Director.
4. Cash drawers at the public service desks begin each day with \$50.
5. All cash is placed in a locked location at the end of each day.
6. A reconciliation between the recorded cash balance and the bank balance is completed monthly by an individual separate from the receipting and disbursing processes.

Credit Card Transactions

1. The Library has adopted a Credit Card Resolution delineating the rules of credit card use.
2. Employees entrusted with credit card use are trained on proper usage and accountability.
3. The Director oversees the issuance and use of credit cards.
4. All payments must be adequately documented or will not be paid by the Library.
5. Cash advances are prohibited.
6. Inappropriate charges and/or prohibited transactions will be repaid by the employee responsible for the charges and/or transactions.
7. Charges deemed unnecessary by the Manager and/or Library Director will be repaid by the employee responsible for the charges.
8. Interest and/or late payment charges will be repaid by the employee responsible for submitting late documentation.

9. All cards determined to be lost or stolen are immediately reported to the credit card company and to the Director.
10. The Director, who does not participate in the disbursement process, reviews transactions on credit card statements for sufficient documentation and inclusion in claim to the Library Board.
11. Credit card statements, along with documentation, are included in the monthly claims for approval by the Library Board.

Banking

1. The Library may maintain multiple bank accounts.
2. Daily deposits are made to the bank if receivables that day are equal to or greater than \$500.
3. All banks are immediately notified of any changes of authorized signers.
4. The Director and Library Board Treasurer are the only Library Board-approved signers on any and all bank accounts.
5. Library Board-approved signers are the only persons permitted to create bank accounts, make withdrawals, and purchase investments in the name of the Library.

I/T Controls:

1. Access to Library servers is controlled through user profiles with clearly-defined permissions, user logins, and passwords.
2. Permissions assigned to user profiles are limited to those required for the corresponding job positions.
3. Security measures are implemented and maintained for all hardware, software, and networks.
4. The accounting and payroll systems are maintained on a secure and backed-up workstation; only the Bookkeeper, Assistant Bookkeeper, and Director have login permissions.
5. Workstations and servers are backed-up daily onsite and offsite.
6. Appropriate environmental controls (e.g. room temperatures) exist to ensure the functionality, security, and reliability of electronic equipment.
7. The server room is secured at all times.
8. The Library has a Computer Disaster Recovery Plan that addresses technological and financial management in the case of emergency or disaster.

COMPONENT FOUR: INFORMATION AND COMMUNICATION
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1. The Library establishes policies and procedures, including internal controls, to address identified and possible risks. These policies and procedures are practiced daily and are available to all employees electronically and/or in hard copy.
2. Consistent effort is made by the Director, Administration, and Managers to ensure that all employees are informed of and understand policies and procedures.

3. Policy or procedural changes are communicated both verbally and in writing electronically from the Director to Managers, and subsequently to all employees.
4. Communication to all employees simultaneously is employed by the Director when necessary and/or during all-staff training activities.
5. The Director requires Managers to meet as a group with the Director on a monthly basis, and requires that Managers hold quarterly department meetings.
6. Managers are required to practice effective communication and to clearly and expediently convey policy, procedural, and departmental responsibilities and duties to staff.
7. Library staff members are to immediately report any suspected or actual loss, shortage, theft, or variance to a Manager and/or the Director; Managers are required to alert the Director of all reports.
8. Investigations of allegations of fiscal misconduct or theft will be conducted confidentially by the Director with relevant parties, to include the Library attorney if the Director deems necessary.

COMPONENT FIVE: MONITORING ACTIVITIES

1. The Library recognizes the value of taking steps to assess the quality of internal controls over time, and of making adjustments as necessary. As such, this Internal Controls Policy is regularly reviewed by the Director and brought to the Library Board for review and approval if its components change.
2. The Library practices transparency and encourages a sense of ownership by including all staff in internal controls communications and directives, that they may assist in ongoing monitoring.
3. Library Board members are encouraged to understand and discuss the policies brought for their review and approval.
4. Departmental procedures are regularly evaluated, and modified as needed, to best serve strong internal controls.
5. The Library cross-trains staff to cover critical staffing needs and to provide a natural level of oversight supporting internal controls.
6. The Library maintains its documents in accordance with the Public Libraries Retention Schedule.
7. The Library is dedicated to robust internal controls and to reporting any significant cash-handling errors or issues that may occur, and any one occurrence of loss, shortage, misappropriation, or other cash irregularity equal to or greater than \$500 will be promptly reported to the State Board of Accounts (except for inadvertent errors identified and corrected in a timely manner with no loss to the Library), as per its Materiality Policy.
8. The Library will promptly report to the State Board of Accounts any significant materials-handling errors or issues that may occur equal to or greater than \$2,000 (except for inadvertent errors and/or misplacements identified and corrected in a timely manner with

no loss to the Library, and except for losses from genuine accidents) as per its Materiality Policy.

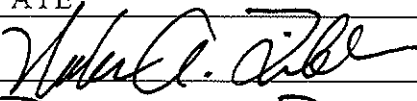
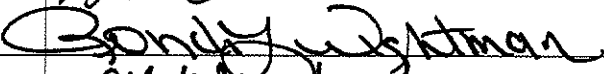


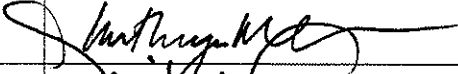


9. Library internal controls procedures are immediately evaluated, and modified as appropriate, in response to any significant errors.

CONCLUSION

Westchester Public Library is committed to maintaining reliable and sound policies and procedures that support best practices of internal controls, in order that the Library may accomplish its purpose with transparency, accountability, and sustainability.

ADOPTED THIS 11TH DAY OF October, 2018

WESTCHESTER PUBLIC LIBRARY BOARD OF TRUSTEES

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ATTEST: 

SECRETARY