

Internal Financial Controls Policy

Mabel D Blodgett Memorial Library

The Board of Trustees recognizes their responsibility, to the residents and taxpayers of the library's service area, to assure that the library maintains an internal accounting and administrative control system that protects the library's financial resources.

The purpose of this policy is to highlight and establish guidelines for managing the library's financial operations to ensure transparency, accountability, and efficient use of resources including the following:

- Protect library assets from theft or misuse.
- Ensure accurate and complete financial reporting.
- Promote operational efficiency.
- Ensure compliance with applicable laws, regulations, and funding requirements.

This policy applies to all library employees, board members, and volunteers involved in the financial management and transactions of the library.

Roles and Responsibilities

- Library Board: Oversees financial management, approves budgets, and reviews financial reports.
- Library Director: Manages daily financial operations, ensures adherence to policies, and prepares financial statements.
- Finance Committee (if applicable): Reviews financial performance, recommends policies, and assists in audits.
- Staff and Volunteers: Comply with financial procedures and promptly report any suspected fraud or misuse.

Budgeting and Financial Planning

- Annual Budget Preparation: The library director, in collaboration with the library president, treasurer, bookkeeper, and staff, prepares an annual budget to be reviewed and approved by the library board.
- Budget Monitoring: Monthly or quarterly budget reviews to track expenditures against budgeted amounts and identify variances.

- **Adjustments:** Procedures for making budget adjustments in response to changing needs or funding.

Financial Transactions

- **Cash Receipts:** All cash collections, including donations, fees, or fines, must be logged, safeguarded, and deposited into the bank promptly.
- **Disbursements:** Expenditures require prior approval based on an approval hierarchy. Detailed documentation is required for each expenditure.
- **Petty Cash:** Limited and regulated petty cash for small incidental purchases with strict guidelines on maximum amounts and reconciliation.
- **Purchasing and Procurement:** A competitive bidding process or purchasing guidelines for acquiring goods or services, including documentation and approval levels.

Segregation of Duties

- **Authorization, Custody, and Record-Keeping:** These duties should be separated among staff to reduce the risk of errors or fraud.
- **Approval Processes:** Clearly defined approval process for transactions to ensure transparency and accountability.

Record-Keeping and Documentation

- **Documentation Requirements:** All financial transactions must be supported by appropriate documentation, such as invoices, receipts, and authorizations.
- **Retention Periods:** Financial records should be retained for a specified period according to legal and regulatory requirements (e.g., 7 years).
- **Reconciliation Procedures:** Monthly reconciliations of bank statements and other financial records.

Asset Management

- **Asset Register:** Maintain a record of all library assets, including equipment, books, and other valuable items.
- **Inventory Management:** Regular inventory checks to verify assets' existence, condition, and usage.
- **Depreciation and Disposal Policies:** Clear guidelines for calculating depreciation and disposing of outdated or unusable assets.

Fraud Prevention and Detection

- Anti-Fraud Measures: Regular audits, internal reviews, and whistleblower policies to prevent and detect fraud.
- Reporting Mechanisms: A clear process for reporting suspected fraud or financial mismanagement, including protections for whistleblowers.

Financial Reporting

- Monthly and Annual Financial Statements: Preparation of monthly financial reports for review by the library board and an annual report for stakeholders.
- Audit Requirements: Regular independent audits to ensure financial records' accuracy and policy compliance.
- Compliance Reporting: Ensuring compliance with grantor requirements, state and local government regulations, and other funding bodies.

Compliance and Review

- Policy Review and Updates: Annual review of the internal financial control policy to incorporate improvements and address new risks.
- Training and Awareness: Ongoing training for staff on financial policies, procedures, and ethical conduct to strengthen control measures.

Consequences for Non-Compliance

- Disciplinary Actions: Clear consequences for non-compliance, including potential disciplinary actions, termination, or legal actions, depending on the severity.

Adopted by the Mabel D Blodgett Memorial Library Board of Trustees on 11/18/2024