

Internal Controls Policy

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Revised and Approved March 9, 2015

Budget and Budget Reconciliation

Budget Preparation

Each year, it is determined if the library's revenues are adequate to meet the needs of the community. If the revenues are not adequate to meet the needs of the community, the board of trustees takes action to increase the library's revenue through a Chapter 414 referendum. In a year in which the Board of Trustees plans to use a referendum for an increase in taxpayer support of the library, a two-year draft budget will be prepared by the director and finance committee no later than the May regularly scheduled meeting. Depending on results of the referendum, the budget or a revised version shall be adopted by the Board of Trustees at the December regularly scheduled meeting.

In a year in which a referendum will not be used, the library director and finance committee shall complete a draft budget for the subsequent fiscal year and present it to the Board of Trustees no later than the regularly scheduled meeting of the Board occurring in the month of October. A final version of the budget shall be adopted by the Board of Trustees at the November regularly scheduled meeting.

The library's fiscal year runs from January 1 and December 31.

Expenses that Exceed the Budget

The Trustees recognize that not all income and expenses can be accurately predicted. The library director is authorized to make repairs on an emergency basis as per the purchasing policy. **Any** necessary budget line transfers within a budget category (ending "00"), which will exceed \$500 over budget, must be approved by the president or treasurer, and reported to the Board at the next regularly scheduled Board meeting.

Budget Reconciliation

The treasurer is to report any upward deviation in an expense line item to the Board of Trustees at the next regularly scheduled meeting of the Board. The Board must formally acknowledge these deviations at the final board meeting of the year.

The Board shall approve a general budget reconciliation report by the annual meeting, noting differences and expenses incurred during the fiscal year that will need to be accrued into the subsequent fiscal year for payment.

Annual Financial Review

The library's finances will be reviewed annually by a qualified Certified Public Accountant (CPA). Recommendations for sound financial practice made by the CPA will be reviewed by the finance committee and implemented as determined by the committee.

Purchasing

With the understanding that purchases for library materials are often available through statewide or national discount programs for libraries, the Board of Trustees establishes the following policy:

Library Materials: Books, magazines, AV and other such materials intended for patron use are generally purchased from vendors offering volume discounts or vendors offering a state contract. Materials available only from the publisher are generally purchased with little or no discount.

Other Commodities, Services and Technology:

Like other association libraries, Kinderhook Library is eligible to participate in the use of state centralized contracts for purchases of commodities, services and technology. This is authorized by Section 163 of the State Finance Law and Section 109-a of the General Municipal Law.

Kinderhook Memorial Library will make use of its eligibility to participate in the statewide OGS purchasing program for capital or one-time purchases of non-library materials for which there are sufficient budget appropriations. In those instances where the purchase of commodities, services and technology falls outside the reach of the statewide program, such as the use of local tradesmen or specialty vendors offering a unique commodity, service or technology, or at the discretion of the board or director as applicable, the following schedule shall apply:

Purchase Amount Policy

Up to \$2,000 - Discretion of the Library Director

\$2,001- \$5,000 - Minimum of three documented telephone quotes approved by either the Treasurer or the President prior to purchase and reported to the Board of Trustees

\$5,001 up to formal bid amount - Minimum of three written quotes or documented telephone quotes approved by the Board of Trustees

Over \$20,000 for supplies and equipment or over \$35,000 for capital projects- Formal bid process approved by the Board of Trustees

Emergencies: In the event of an emergency over \$2,500, the Director will obtain three verbal quotes if possible. Either the President or the Vice President will approve the expense. The Treasurer will sign the check for the expense.

Vendors previously hired by the Library may be approved for rehire with one written quote and the approval of the Board of Trustees.

Library Credit Cards/Accounts

The library's Visa credit card, issued through the National Union Bank of Kinderhook in the name of the library director, has a credit limit of \$2,500. In addition, the library maintains credit lines with Amazon.com (credit line: \$6,000) and Staples.com (\$1,000). Every purchase on the credit card and credit lines is allocated to a budget line by the library director and given to the bookkeeper for payment. Credit statements are reviewed by a current trustee each month and are approved during the review of expenditures process at board meetings. The library director is the only person authorized to use the credit card and credit lines.

Petty Cash

Policy Statement

The Kinderhook Memorial Library maintains two separate petty cash funds to support the operations and programs of the library. The petty cash funds are cash advances issued to the director who is the custodian of the funds. The director is responsible for the security of the funds and the control of the disbursements made from the funds. The amounts of the funds are \$100 each.

Purpose

Petty cash can be used to make small purchases or reimbursements, in cash, for incidental expenses such as stamps, supplies, copying, etc., especially when immediate payments is required. Petty cash should be used only when absolutely necessary.

Nature and Use of Petty Cash Funds

The total of vouchers (with receipts) plus cash available must equal the petty cash fund amount. Personal expenditures or borrowings, in any amount, by any person including the director are not authorized uses of the funds. Any misuse of the petty cash funds will be grounds for disciplinary action or dismissal.

Establishing a Petty Cash Fund

Requests to establish a petty cash fund or increase an existing petty cash fund should be submitted in writing to the library's treasurer, and must be approved by the Board. The request should include the following information: the reason and justification for the fund, the dollar amount of the fund, the maximum expenditure that can be paid with petty cash, how and where the fund will be secured. Once the treasurer approves the creation of the petty cash fund, the bookkeeper writes a check to the director to establish the fund.

Petty Cash Responsibility

The director cashes the petty cash checks and ensures the safekeeping of the money. Petty cash should be kept in a locked box, drawer, cabinet or safe. Funds should not be left unattended at any time. When disbursements are not made frequently, the director should check the petty cash fund regularly. The director monitors the use and replenishment of petty cash and alerts the bookkeeper when a reconciliation and replenishment is due. Any theft will immediately be reported to the bookkeeper and library treasurer.

Reimbursement of Petty Cash Expenditures

Proof of purchase (receipts, etc) is necessary for each purchase. A Petty Cash Voucher, detailing the nature and reason for the expenditure, is filled out. The director signs off on the voucher and reimburses the purchaser for the expenditure.

Petty Cash Advances

This method should be seldom used, as it requires more tracking and requires the purchaser to connect with the director twice rather than once. Petty cash advances may be allowed with the stipulation that the purchaser returns with a receipt and change. The purchaser completes a Petty Cash Voucher for a cash advance. The director signs the voucher. When the purchase is done, the purchaser completes an accurate voucher for the final purchase amount, attaches the receipt, and returns the change to the director.

Replenishment of Petty Cash Fund

The fund should be replenished when the money on hand is not adequate for the needs over the next 30 days, but not more than once a month.

Losses

Theft and any other losses of petty cash are the responsibility of the library.

Overages and Shortages

Over/short amounts normally do not occur in petty cash funds. If this should occur the director should: verify that all receipts have been turned in, ensure that the amount expended for a Petty Cash Voucher and its accompanying receipt(s) hasn't been counted as two expenditures, instead of one, and ensure that each disbursement has a supporting receipt. If the fund finally cannot be reconciled the director must provide a full explanation for the overage or shortage at the next regularly scheduled Board meeting.

Closing Petty Cash Funds

The bookkeeper reconciles the petty cash fund and the cash will be deposited into the library's checking account.