

# INTERNAL CONTROL POLICY AND PROCEDURES

## INTRODUCTION

The Wells County Public Library serves its citizens and funds these services through taxation, fees, fines, donations, and grants. WCPL aims to make the most effective and efficient use of these resources in rendering its services. A sound internal control system provides reasonable assurance that the library will accomplish its mission and objectives with accountability and transparency. WCPL strives to ensure that the five components of internal control are present, functioning, and operating throughout our system.

## COMPONENT ONE: CONTROL ENVIRONMENT

WCPL maintains accountability and ethical behavior through the following measures:

- Board members are carefully selected and introduced to their roles and responsibilities as listed in the *IN the Public Trust* Trustee Manual.
- The board treasurer is bonded.
- The library carries D&O (Directors' and Officers') liability insurance on the director and board of trustees.
- The library has clear policies regarding hiring, training, and evaluating personnel, including nepotism and conflict of interest policies.
- WCPL policies and procedures comply with the Accounting and Uniform Compliance Guidelines Manual for Libraries.
- The library maintains an organization chart, clearly defining the delegation of authority.
- Management has well-defined and accessible procedures for each department that clearly support the mission and policies of the library.

## COMPONENT TWO: RISK ASSESSMENT

WCPL recognizes that empowering staff to give excellent customer service can lead to external and internal control risks. Procedures are in place to minimize risk. While all staff work the public desk and handle money, the amount of cash that staff can access is minimal.

- Management works to identify potential risks to material loss.
- Management works to identify potential risks to financial loss.
- Management works to identify potential risks to fraudulent financial reporting, misappropriation of assets, and corruption.

## COMPONENT THREE: CONTROL ACTIVITIES

WCPL maintains updated policies and procedures to help detect, prevent, and reduce the library's risk.

### A. Payroll Activities

1. The library board verifies and approves salaries and wage rates annually and for each new hire.
2. The director is responsible for hiring, terminating, and approving promotions. The accountant is notified in writing of such changes, along with status and pay rate changes.
3. Background and reference checks are completed for all new hires over the age of 18.
4. Time, attendance, and benefit accruals are maintained electronically and available in read-only format to the employees and direct supervisors.
5. Corrections to recorded time and attendance records are approved by the employee's supervisor and authorized by the director.
6. Employees' time and attendance records are approved by their supervisors. The director authorizes all time before the accountant processes payroll.
7. Payroll disbursements are reviewed and approved by the director and board treasurer prior to payment.
8. Access to payroll applications is appropriately controlled by user logins and passwords.
9. Payroll deposits are verified with the direct deposit confirmation.
10. The library board treasurer's signature stamp is stored in a local bank lock box accessible only by the director.
11. Personnel records are kept in locked file cabinets.
12. The director is trained and has access to the payroll process as a back-up.
13. The payroll is automatically posted to the accounting program and reconciled as part of the month-end process.

### B. Purchases

1. The majority of orders is placed by the administrative assistant. The director, IT manager and community relations manager may also place orders when authorized. Purchase orders are created for all but immediate need purchases. Purchase orders are approved and signed by the library director.
2. Purchase orders are encumbered into the accounting system by the accountant and monthly appropriation and encumbered reports are available to all managers responsible for purchasing for departments or collections.
3. Upon receipt of an order, the packing slip/invoice is submitted to the accountant for payment processing.
4. Library by-laws limit the purchase of any one item to \$5000 without board approval, unless it was part of the budget requests itemized and approved during the annual budget process.
5. The accountant is responsible for tagging all non-loanable capital purchases and adding them to the library's fixed assets and/or inventory.

6. All items loaned to patrons are entered, received, and accounted for in the acquisition module of the library's integrated library system software. Item-records include purchase order number, date ordered, date received, and cost.
7. Each department and branch does a physical inventory every 2 years.

C. Disbursement Activities

1. Acknowledging the receipt of goods or services is the responsibility of the department receiving the order. The signed receipt/purchase order is then given to the accountant for processing payment.
2. Invoices and other receipts are attached to each claim to support the disbursement.
3. The director reviews, compares, and approves each claim voucher to the attached documentation.
4. Director approves claims for processing. Library board approves claims for payment.
5. Library board approves a short list of claims that, due to their immediate due dates, may be paid at payroll with only director and treasurer approval prior to the monthly meeting.
6. Checks are signed by the library board treasurer.
7. The library board approves the online payment of claims. All the claims paid at payroll are done through online payment. A list of those claims are sent by email to the board treasurer for approval before payment is entered.
8. Access to the accounting software is appropriately controlled by user logins and passwords.

D. Receipting Activities

1. Desk staff are responsible for collecting money and recording the amount and reason in the patron's online account and on a paper record in the cash drawer. Staff initials are placed on the paper log. Computer or paper receipts are issued upon request.
2. The Circulation Manager and the designated branch staff are responsible for counting and reconciling each day's receipts.  
The Administrative Assistant and Branch Manager handle all meeting room invoices and receipts. For library patrons, the patron's account is charged and the money is receipted by the desk staff. For non-library card renters, a patron account, for Meeting Room use only, is created in the library's ILS and that account is charged and the money is receipted by the desk staff.
3. The Director or the Accountant receipts any funds that may come in for grants, donations, and other miscellaneous reasons. These are then turned over for deposit.
4. The Director, Accountant and Branch Manager are responsible for the deposits.
5. The desk receipts and deposit slips are posted daily by the Accountant.  
Receipts indicate the type of payment received, and this is reconciled to weekly bank deposits, unless the accumulated receipts and deposit slips are \$500 or more.

E. 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 accountant and the director.
2. The monthly reconciliation between the cash balance and the bank balance is reviewed and approved by the library board.
3. The petty cash is the responsibility of the administrative assistant, branch manager, and the accountant. Employees needing to make small purchases for the library receive cash and the library's tax exempt number from the accountant or branch manager. Change and a matching itemized receipt are returned.
4. The accountant balances the petty cash ledger for both the main library and branch each month with the receipts for purchases. An invoice is created each month for reimbursement of the petty cash funds. Disbursements from and reimbursements to petty cash funds are reviewed monthly by the administrative assistant.
5. Cash drawers at the public service desks begin each day with the allotted starting cash.
6. All cash is placed in a locked location at the end of each day.

#### F. Credit Card Transactions

1. The director oversees the issuance and use of the credit cards. Cards are kept in the director's possession. Local business charge cards most frequently used by employees (Walmart and Kroger) are issued in the employee's name. Employees return cards to the director with itemized receipts.
2. The library has only one general merchandise VISA credit card through PNC bank. It is issued in the director's name. The account limit is determined by board policy.
3. Receipts are given to the accountant to compile and compare to the monthly credit card statement.
4. Credit card documentation is included in the monthly claims for approval by both director and library board.
5. The board-approved credit card policy governs the use of all credit cards.

#### G. Banking

1. The library director and library board treasurer are the only board-approved signers on any and all bank accounts.
2. Signers only may create accounts, make withdrawals, and purchase investments.

#### H. IT Controls

1. Access to the library servers are controlled through user profiles with clear defined permissions and user logins and passwords.
2. Permissions assigned to user profiles are limited to those required for the job position.
3. Only admin profiles are assigned to the IT Manager and Library Director.

4. Security measures are maintained for all hardware and networks.
5. The accounting and payroll systems are maintained on a secure and backed-up workstation. Only the accountant and library director have login permissions with full access. The administrative assistant's access is limited to the purchase order segment of the accounting module.
6. All workstations and servers are backed up daily on and offsite.
7. Appropriate environmental controls exist to ensure the security and reliability of equipment. The server room is equipped with an **un**interruptible power supply and the building has a back-up generator to maintain power at least long enough for a proper shut down.
8. The server room is secured at all times.
9. The library has an Emergency Response Plan that addresses computer and financial management in case of a major emergency or disaster.

## COMPONENT FOUR: INFORMATION AND COMMUNICATION

WCPL establishes policies and procedures, including internal control, to address all identified risks. These are included in the Employee Handbook, and the Employee Handbook is made available online and in hard copy. **A**s **S**taff ~~committee~~ and the library board review and update the Employee Handbook annually. Changes are communicated verbally and in writing, and employees are required to acknowledge in writing that they are informed and understand any changes made.

WCPL communicates with its employees through monthly department head meetings **and** staff information emails ~~and Intranet postings~~. Internal communication allows supervisors to convey responsibilities and issues to their staff. Effective communication encourages employee involvement.

It is the duty of any library employee to report any suspected loss, shortage, theft, or irregular variance as soon as practical to their supervisor. All investigations of allegations of fiscal misconduct will be conducted in the strictest of confidence.

## COMPONENT FIVE: MONITORING ACTIVITIES

WCPL understands the value of monitoring activities to assess the quality of internal controls over time and make adjustments as necessary. In a small management environment where there is only one person responsible for a job, it is good to involve as many people as possible. Encouraging transparency by including all staff in the communication on policy, procedure, and internal control, whether or not it directly affects them, encourages input concerning the effectiveness of our controls from impartial observers.

WCPL implements internal control activities through policies and procedures. The library board and ~~a rotated~~ staff ~~committee~~ routinely review all sections of the employee handbook on a regular basis. The mix of members with a long tenure and familiarity with the policy and those brand new to the organization brings a much needed fresh

perspective to this oversight activity. Departmental procedures are maintained and updated on a regular basis.

WCPL encourages library board members to understand and question the documents that they are asked to review and approve.

WCPL cross trains staff to cover job responsibilities during illness and vacation. This not only covers the immediate staffing need but also provides a level of oversight. Someone else doing a job can assist in reviewing the effectiveness, compliance, and weaknesses of control processes and procedures.

WCPL maintains all public records in accordance with the Public Library retention schedule.

WCPL defines materiality as \$500 per occurrence. If one occurrence of a loss, shortage, misappropriation, or other irregularity is equal or greater than \$500, it must be reported to the State Board of Accounts.

## **CONCLUSION**

WCPL is committed to maintaining a sound environment of communicated internal and external policies and procedures to control the risks that could prevent the library from accomplishing its mission and goals with accountability and transparency.

All new staff and board members must be trained in internal controls. A copy of the Internal Control Training Certification for Elected Officials, Appointees, and Employees form must be signed and will be kept in their personnel file.