

Internal Financial Controls Policy

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 library the library 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: The Director shall meet with the board treasurer and any employed financial management professional to evaluate the budget and reallocate funding appropriately, should the need arise.

Financial Transactions

- Cash Receipts: All cash collections, including donations, fees, or fines, must be logged, safeguarded, and deposited into the bank promptly. A receipt may be given to the donor upon request.
- 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. The maximum amount to be kept in Petty Cash shall not exceed \$120.00
- Purchasing and Procurement: A competitive bidding process or purchasing guidelines for acquiring goods or services, including documentation and approval levels. For purchases outside regular supplies and new book acquisition, the Director shall obtain quotes from at least two approved vendors (such as Walmart or Amazon) and present them to the board..

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: all checks for disbursement of funds will be signed and countersigned by two, unrelated board members. For purchase outside regular supplies and book acquisition (ie. New equipment,) the Director shall request permission from the board to complete the purchase. At the same time, the Director shall submit evidence of price (quotes) from approved vendors so that the most cost-effective unit can be purchased.

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) *See also, Records Retention Policy.*
- Reconciliation Procedures: Monthly reconciliations of bank statements and other financial records will be made by the Director and submitted to Treasurer.

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 shall be done annually.
- Depreciation and Disposal Policies: Clear guidelines for calculating depreciation and disposing of outdated or unusable assets will be followed. *See also, Collections Management Policy.*

Fraud Prevention and Detection

- Anti-Fraud Measures: Regular audits, internal reviews, and whistleblower policies to prevent and detect fraud will be obtained at least once every three years.
- Reporting Mechanisms: A clear process for reporting suspected fraud or financial mismanagement, including protections for whistleblowers will be followed. *See also, Whistleblower and Ethical Behavior Policy.*

Financial Reporting

- Monthly and Annual Financial Statements: Preparation of monthly financial reports for review by the library board and an annual report for stakeholders shall be made by the Director, in conjunction with the Treasurer and any contracted financial manager which is on staff.
- 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 shall be completed in a timely manner.

Compliance and Review

- Policy Review and Updates: Annual review of the internal financial control policy shall be completed by the Director and the Board to incorporate improvements and address new risks.
- Training and Awareness: Ongoing training for staff shall be completed at least annually, 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 shall be determined by the board on a case-by-case basis.

Adopted by the Greenwood Reading Center Board of Trustees on 05/14/2026