



# POLICY MANUAL

135 Main St. Montpelier, VT

## Financial Oversight Policy

Effective Date: June 15, 2016

### I. POLICY OVERVIEW/DESCRIPTION

The purpose of this Financial Oversight Policy is to establish the financial and accounting policies that guide internal operations of the Kellogg-Hubbard Library. The policies shall establish strong internal controls; clarify the roles and responsibilities of the Board, management and financial staff; ensure compliance with regulatory standards; protect the assets of the organization; and ensure the accuracy, reliability, and transparency of financial records.

### II. POLICY OVERSIGHT

It is the responsibility of the Board of Trustees to formulate financial policies and periodically review the financial operations and activities of the organization. The Board delegates parts of this oversight to the Treasurer of the Board and the Finance Committee of which the Treasurer is the Chair. This responsibility is also shared with the Library Administration.

All Library staff with a role in the management of financial and accounting operations are expected to comply with these policies. KHL management are responsible for the creation and compliance to financial procedures that indicate how the financial policies are carried out on an operational basis.

These policies will be reviewed annually and revised as needed by the Board.

### III. ROLES AND RESPONSIBILITIES

The following is a list of those with fiscal responsibilities and what those responsibilities are:

#### Board of Trustees:

- Reviews and approves the annual budget;
- Ensures that the budget meets the strategic plans of the organization;
- Reviews annual and periodic financial statements and information;
- Reviews the Library Administration's performance annually and establishes the salary for all management positions;
- Two members of the board will be appointed by the board to be authorized signers on the bank accounts (Board President and Board Treasurer);
- One of the board signers must be a second signer or approve electronically via email, any payment over \$5,000, with the exclusion of payroll, health insurance payments and heating payments.
- Reviews and approves all contracts over \$15,000;
- Reviews and advises management on financial procedures (delegated to Board Treasurer and Finance Committee);
- Determines the schedule for the audit and chooses the auditor to contract with (delegated to Board Treasurer and Finance Committee);

- Assesses the overall risks to the organization and plans accordingly to ensure that assets are well-protected;
- Reviews the monthly bank statements, completed bank reconciliations, and summary of monthly journal entries (delegated to the Board Treasurer);
- Ensures the organization follows all applicable regulatory standards;
- Approves any credit lines or loans taken out on the library's behalf;
- Participates in the union negotiation process that oversees staff salary negotiations (delegated to one or two board members, including at least one Officer position);
- Monitors the investment managers to ensure the growth and stability of the endowment.
- Annually performs a fraud risk assessment to identify any areas of weakness within the organization (delegated to the Finance Committee).
- Approves inter-account bank transfers (delegated to the Board Treasurer);

### **Executive Director (ED)**

- Immediately notifies the board of any legal, tax or significant financial issues;
- Reviews and manages cash flow;
- Processes bi-weekly payroll and is responsible for managing employee benefits, including monthly retirement contributions;
- Processes all inter-account bank transfers;
- Works with the Library Director (LD) on the development of the annual budget;
- Executes a balanced annual budget in a manner that reflects variations in both anticipated revenues and expenditures;
- Reviews all incoming and outgoing invoices;
- Review and approves all contracts under \$15,000;
- Ensures proper security and controls on all cash, checks, and sensitive financial information;
- Receives and opens all incoming business mail;
- Monitors and manages all expenses to ensure most effective use of assets;
- Reviews and approves all grant submissions;
- Ensures appropriate spending of all restricted funds;
- Monitors and makes recommendations for asset retirement and replacements;
- Prepares bi-monthly and year-end financial reports;
- Is the on-site signatory for all bank accounts;
- Oversees the adherence to all internal controls and financial procedures;
- With the Library Director, ensures that the organization follows the terms of the union contract.

### **Library Director**

- Works with the ED on the development of the annual budget;
- Reviews all expenditures and reimbursements for LD budget areas;
- Reviews and signs all issued checks;
- With the ED, ensures that the organization follows the terms of the union contract.

### **Nonprofit Clerk**

- Overall responsibility for data entry into accounting system and integrity of accounting system data;
- Processes invoices, prepares checks for signature and mails vendor checks;
- Makes bank deposits;
- Maintains general ledger;
- Manages Accounts Receivable.

#### **IV. COMPLIANCE WITH REGULATORY STANDARDS**

The board and management of the Library will ensure compliance with all applicable federal, state, and local rules and regulations. Examples of these rules and regulations include: biannual filings with the Vermont Secretary of State's office, annual filing of the Form 990, tax compliance, and legal compliance including the following of applicable employment laws. The board and Library Administration will seek legal advice as needed.

#### **V. PROTECTION OF ASSETS**

##### **Endowment Funds:**

The proper management of the Library endowment funds is covered in the Endowment Policy.

##### **Risk Assessment:**

The Board and Library management will ensure that the Library is adequately protected in the event of major risk or loss including, but not limited to: legal action, accident or loss of life on library property, natural disaster, fraud, etc. The following insurance policies shall be kept on a yearly basis: Commercial Property, Flood Insurance coverage, Commercial General Liability and Umbrella, Workers Compensation, Employee Dishonesty coverage, and Directors and Officers Liability Insurance.

##### **Bidding:**

Any expenditure in excess of \$25,000 for the purchase of a single item should have bids from three suppliers if possible. These bids will be reviewed and approved by the Executive Director and a Board officer.

##### **Capital Expenditures:**

The Library will capitalize all items which have a unit cost greater than five thousand dollars (\$5,000) and a life expectancy of more than 3 years. Items purchased with a value or cost less than five thousand dollars (\$5,000) will be expensed in the period purchased. Depreciation periods will be determined for each item in consultation with the CPA firm responsible for maintaining Library's depreciation schedule.

##### **Reserve Funds:**

The target minimum operating cash reserve fund for the Library is one (1) month of average operating costs. Other reserve funds may be created with surplus funds as approved by the Board of Trustees. A line of credit may be utilized for cash flow needs with Board approval.

#### **VI. FINANCIAL REPORTS AND BUDGET PROCESS**

The accounting procedures used by the Library shall conform to Generally Accepted Accounting Principles (GAAP) to ensure accuracy of information and compliance with external standards. Annual financial statements are prepared on an accrual basis. Bi-monthly board reports are prepared on a cash basis by the Executive Director, in a format approved by the Finance Committee.

Audits of annual financial statements will be conducted on a schedule determined by the board, within four months of the end of the fiscal year. The Executive Director shall have direct responsibility in overseeing the implementation of the audit; the Finance Committee shall have board oversight.

The Executive Director shall prepare the Form 990 with a CPA firm and shall present it to the Finance Committee for review. The full board shall have the opportunity to review the Form 990 before a board vote is taken to approve it. Once approved, the Form 990 will be posted to the Library website.

The Executive Director with oversight by the Finance Committee has the day-to-day operational responsibility for managing Library funds, ensuring the accuracy of the accounting records, following financial policies and procedures, financial statement preparation and bank reconciliation preparation. The Nonprofit Clerk is directly supervised by the Executive Director and is responsible for accounts payable and accounts receivable in the Library software.

The Library's annual budget is prepared annually by the Library Administration in conjunction with the Board Finance Committee. The budget is then presented to and approved by the Board of Trustees prior to the start of the fiscal year. If the budget is revised during the year it is done in accordance with the Budget Authorization policy.

## **VII. OTHER FINANCIAL POLICIES**

As part of the oversight of the Library's finances, the board maintains and annually reviews a set of financial policies. These policies are:

- Budget Authorization
- Conflict of Interest Policy
- Endowment Policy
- Gift Acceptance Policy
- Management Compensation
- Records Retention Policy
- Whistleblower Policy

## **VIII. REVISION HISTORY**

This policy supersedes any Library policies and practices in existence prior to its effective date. All earlier revisions of this document are superseded by this revision. The Kellogg-Hubbard Library Board of Trustees reviewed and approved this procedure on November 15, 2023

<b>Date</b>	<b>Revision</b>	<b>Modification</b>
2023-11-15	5.0	Updated with edits due to administrative change
2023-05-17	4.0	Adds heating payments to list of exceptions for \$5k second signature requirement. Adds ability of second signer to approve payments over \$5k by email.
2020-02-20	3.0	Section V revised to raise Capital Expenditure threshold per accountant recommendation.
2019-09-18	2.0	Updated with edits due to administrative change
2017-05-25	1.0	Section III revised with language suggested by auditors.
2016-06-15	0.0	New policy approved by Kellogg-Hubbard Library Board of Trustees.