

## Title: Internal Control Standards

Effective Date: 1/1/17

Authorized By: Library Board of Trustees

Date of Last Revision: 1/17/24

### **INTRODUCTION**

The Huntington City Township Public Library board of trustees and staff understands the benefits of a well-defined, relevant internal control process. This process includes any policy, system, or action that corresponds directly to the objectives of the library and adjusts to change when necessary. Therefore, the five components of internal controls will be identified, monitored, and evaluated on an annual basis as defined by the Indiana State Board of Accounts under IC 5-111-27 (e). A certification will be filed annually with the Indiana State Board of Accounts at the same time the Annual Financial Report is filed.

### **COMPONENT ONE: CONTROL ENVIRONMENT**

HCTPL conveys leadership expectations and overall tone which reinforces the control environment.

- Board members are carefully chosen by their appointing authorities and are guided by the IN the Public Trust trustee manual.
- The library has established policies for the firing, training, evaluation and continuing education of all personnel.
- The library maintains a personnel classification chart that defines and delegates authority.
- The library is committed to a highly trained staff. The library holds staff training workshops as well as Senior Staff meetings.
- The library has an employee evaluation process in place, used regularly to assess the employee and discuss goals met and future goals.

### **COMPONENT TWO: RISK ASSESSMENT**

HCTPL and its Board of Trustees are aware of the internal and external risks of doing business. Policies and procedures are in place to help curtail such risk.

- Management works together to define and identify risk to material loss.
- Management has in place procedures for reliably reporting financial loss.
- Management operates within the guidelines and laws set forth by the Indiana Code.
- The library requires the Board Treasurer to carry a surety bond. The library also carries an Employee Dishonesty Policy.
- The Director and Library Board of Trustees will review and update the Internal Controls Policy each January at their regular board meeting.
- The library has in place a "Materiality Threshold (acceptable loss) Policy". The threshold is \$20.00 for cash assets and \$500.00 for non-cash physical assets. All losses exceeding these amounts will be reported to the Indiana State Board of Accounts immediately.

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### **COMPONENT THREE: CONTROL ACTIVITIES**

HCTPL Board of Trustees will review annually the policies and procedures for identifying risk.

#### A. Payroll Activities

1. The library board verifies employee salaries and wage rate after employee evaluations are held.
2. The library director is responsible for hiring, terminating and approving promotions. The Business Manager is notified of these changes.
3. Background and reference checks are done for each new hire. The Business Manager runs each new hire through E-Verify and adds the new hire to the Indiana New Hire System.
4. A supervisor must approve and sign all timesheets before timesheets can be processed by the Business Manager.
5. Payroll Reports are reviewed by the Director.
6. Supervisors notify the Business Manager of any corrections to employee timesheets.
7. The Director notifies the Business Manager of employee status changes.
8. Payroll disbursements are reviewed by the Board Treasurer and Library Director.
9. The Business Manager's computer requires a "Boot Up" password to enter. The appropriate passwords must be entered to access payroll software.
10. The director has final approval of any changes.
11. The library uses direct deposit for its payroll.
12. The Library Treasurer does not have a signature stamp and does not pre-sign checks.
13. Payroll check stubs are emailed to each employee at the time payroll is run.
14. The Director has been trained to run the accounting and payroll systems in the absence of the Business Manager.

#### B. Purchases

1. Materials for Library Collections
  - a. All orders for books and media items are placed by the Acquisitions staff member. Items are then entered into the ILS system.
  - b. All library collection items are received through Tech Services. Invoices are approved and sent to the Business Manager for payment.
  - c. All library collection items are entered, received, and accounted for in the library's integrated library system software. Included is the date purchased and cost.
2. General Supplies
  - a. Most supplies and operating items are purchased by the Business Manager, Assistant Director, or Director. Staff must submit requests for purchases to their supervisor.
  - b. Some staff members may be approved to purchase supplies directly using the library credit card. The card must be signed out following the procedures outlined in this policy.

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- c. Some staff may be approved for reimbursement for supplies purchased with their own funds. Receipts are required as proof of purchase and the purchase must be approved by a supervisor.
  3. Capital Purchases
    - a. Items purchased for buildings, infrastructure, furniture, and equipment are approved only by the Director.
    - b. The single item limit purchase is \$10,000 without board approval. Items over the limit may be paid immediately with a board approved pre-signed contract.
    - c. The Business Manager is responsible for adding all non-loanable capital purchases over \$5,000 to the library's fixed assets sheet.

### C. Disbursement Activities

1. The Director approves all claims. The Board Treasurer approves claims and signs checks as needed. Claims are presented to the library board each month, along with a listing of claim numbers and warrant numbers used.
2. The Library Board approves a list of claims that due to their immediate due dates may be paid at the time received. Examples are but not limited to: payroll and utilities.
3. The Business Manager sets up the claims and checks, the Board Treasurer reviews and signs the checks after they are prepared for payment.
4. A reconciliation of vouchers and checks are done monthly and reviewed and approved by the Library Board at their monthly business meeting.
5. Vendor checks are printed in numerical order.
6. All claims have attached an invoice and any correspondence relating to that claim payment.
7. A username and password has to be used to access either payroll or accounting system.
8. Each year at their January meeting, the Library Board will review a resolution authorizing the Director to sign checks in the case of the unavailability of the Board Treasurer.

### D. Receipting Activities

1. Circulation staff and the Markle Branch are responsible for collecting money and recording any memos into the patron's record. Patrons are given a receipt at the time their account is paid. Money is collected and receipted into the cash register.
2. Keefer Center and Reference staff are responsible for collecting money and receipting it into the cash register. Receipts are available to patrons upon request.
3. The Circulation desk, the Keefer Center and Markle Branch have coin-op machines for copying and faxing. A reconciliation of both machines is done as needed by a staff member. Money is receipted into the register.
4. Credit Card transactions using the Square system are receipted into the cash register by staff. The Business Manager reconciles Square receipts with the Square reports, cash register reports, and bank statements.
5. Daily receipts are deposited by the Director, Branch Manager or Business Manager.

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6. Receipts and deposit slips are posted by the Business Manager into the accounting system. Receipts are posted into an approved State Board of Accounts receipt book and also posted into an approved State Board of Accounts form 3.

### E. Cash Activities

1. Each month a reconciliation between the library's cash records and the bank statement is completed. The library director looks at each account after it is balanced with the bank.
2. The library board reviews and approves the bank balances each month.
3. The petty cash bag is kept in the Business Managers safe and is used for cash purchases less than \$6.00, it is replenished as needed with the approval of the library board. Detailed receipts are kept in the bag until a claim is drawn. Petty cash is allotted \$125.00.
4. The Markle branch will maintain a petty cash reserve of \$50.00. This will be used only for cash register adjustments. No payments for supplies or reimbursements will be made from this reserve.
5. The library has 3 cash registers at the main library and 1 cash register at the Markle Branch.
6. Each register starts the day with an allotted amount of money approved by the library board. The allotments are as follows; Circulation \$56.00, Reference \$56.00, Keefer Center \$36.00, Markle Branch \$40.00.
7. At the end of the business day an employee in the Keefer Center, Circulation Desk, Reference Desk and Markle runs a final day's receipt of the registers. Money is then reconciled, receipt signed by two staff members and put into the safe located in a designated area.

### F. Charge Cards

1. To use the charge card employees must sign it out using the log sheet located in the business office. Employees then bring the card with an itemized receipt to the Business Manager.
2. The library has 3 general VISA charge cards. One card for general purchases, one card used for conferences and one card is used by the director. One card is carried by the Director. The other two cards are kept in the business office.
3. The VISA card has a \$10,000 combined limit in the name of the library.
4. All charges must be verified by a receipt which is turned in to the Business Manager.
5. The charge card statement along with all receipts and documentation are attached to the claim for director and library board approval each month.
6. The library board approved Credit Card Policy establishes the guidelines for the use of the card.

### G. Banking

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

### H. IT Controls

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1. The library's servers are controlled through user profiles, permissions and user logins and passwords.
2. Users are limited to those who work with the server and the Director. Admin profiles are limited to the Director, Assistant Director and the IT Specialist.
3. The library maintains security on all hardware and networks.
4. The accounting and payroll systems are maintained on a secure site with backups. Only the Business Manager and the Director have the "boot up" password and login permissions to enter the system.
5. The servers are backed up daily and offsite backup monthly.
6. In the event of an emergency, the library is equipped with a power supply that lasts long enough for equipment to be properly shut down.
7. The server room is located and secured in an area away from the public and is kept in constant climate control.

### **COMPONENT FOUR: INFORMATION AND COMMUNICATION**

1. The director and senior staff members hold frequent meetings to discuss the issues of the library and any upcoming events. Information is then shared with other staff members through department meetings held regularly.
2. Library policies and the personnel handbook are made available for all employees to have access at any time.
3. The library director communicates with the library board and staff as to any changes in library policy or the personnel handbook.
4. Each employee has an email address through the library.

### **COMPONENT FIVE: MONITORING ACTIVITIES**

Monitoring activities allow the director and the library board to assess the quality of internal controls over time and make adjustments as necessary. Proper monitoring ensures that controls function properly.

1. The library board and director will annually review the Internal Control Policy to determine if controls are in place and working effectively.
2. Control activities are reviewed to determine if the actual activities are in compliance with established procedures.
3. Internal control deficiencies are documented and remedied as quickly as possible.

### **Conclusion**

The Huntington City-Township Library Board of Trustee Library Director and Library Staff understand the importance of a sound Internal Control Policy and with reasonable assurance the library will accomplish its mission and objectives with accountability and transparency. HCTPL also understands the ultimate responsibility for the design and implementation of the internal control system lies within.

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