Joseph T. Simpson Public Library
Internal Controls Policy
Adopted June 8, 2021
Revised April 23, 2024

Delegation of Authority

- The board delegates the authority for developing internal control procedures to the staff of the organization which are then reviewed by the Finance Committee.
- The board retains an auditing firm annually to perform a financial audit of the organization and produce audited financial statements.
- The board retains the authority to authorize other audits to review activities not included within the scope of a financial audit.

General Principles

All financial activity advances the purpose of the organization, either for program activity, general and administrative support, or fund raising.

Staff members responsible for tasks relating to financial transactions have a level of training and experience that enable them to exercise the level of skill and judgment required by the most critical aspects of the task.

No person makes commitments for the organization beyond their level of authority.

More than one person is involved in the completion of every financial transaction.

An assessment is made of additional separation of duties and rotation of responsibilities.

Procedures are in place to ensure that closely related individuals are not in a position of reviewing or authorizing each other's transactions.

There is no significant period of time in which tasks relating to financial transactions are not performed.

An assessment is made of the risks involved in all financial transactions and in maintaining the financial and physical property of the organization. Procedures are established to reduce the risks that are identified. Procedures balance the risk of loss with the cost of controls.

Record Keeping

Transactions are recorded in the accounting system of the organization as close as possible to the time when they occur.

Transactions are classified and recorded accurately based on objective criteria and consistent treatment of similar transactions.

Documentation of accounting transactions is clear and legible.

The media on which documentation is recorded remains readable until the time when the record is destroyed.

Special care is taken to identify and to record accurately non-cash financial transactions, whether they result in income, expense, assets, or liabilities.

Activities are not recorded on a net basis. When an activity includes transactions that increase and decrease a financial account, the increase and decrease transactions are recorded separately.

Fund Raising
The board is informed of the purposes for which outside funding is used.

Procedures are in place to ensure that money received for specific purposes is used for those purposes and that reporting is filed as required by the provider.

Cash Disbursements
The purpose of each expense transaction is documented at the time of the transaction. The extent of documentation is based on the transaction's size, frequency of similar transactions, and reporting requirements of contracts or restricted grants.

Documentation with each transaction provides adequate explanation for an independent reviewer unfamiliar with the details of the transaction.

Procedures are in place to ensure frequent reconciliation of accounts with the financial institutions that hold the accounts.

All disbursements are initiated by a person other than the person who prepares the check.

Procedures are in place to prevent duplicate payment for the same goods or services.

Personnel
Payment for employee compensation or benefits is made only on behalf of bona fide employees for services performed as authorized and documented in employee time and attendance records.

Personnel additions, employment contracts, separations, wage rates, salaries, deductions, and severance payments are authorized and documented in the accounting records.

There are written personnel policies and procedures made available and applied equitably to all employees that provide for consistency in recruitment, compensation, discipline, separation, and termination of employees.

Employees are hired, compensated, and separated in compliance with applicable federal and state laws, as well as contracts and restricted grants.

Employee leave balances are tracked and regularly verified.

Internal and External Reporting
Internal financial reporting is on a basis consistent with external financial reporting.

Financial statements present adequate information to serve as the basis for informed review.

All requirements are met for federal and state registration and all taxes are paid.

Accounting Information Systems
Accounting records are organized to facilitate retrieval of documents when needed.

Accounting records are retained until the time designated for destruction and they are destroyed when that time arrives.

Legal documents such as executed contracts and personnel records are kept separate from accounting records.

Other systems that provide information to the accounting system are identified. Special care is taken to ensure reconciliation of balances and continuity of an audit trail between the accounting system and other systems and to ensure that the records in the other system are retained as appropriate for accounting records.

Procedures are in place to ensure the integrity of computerized accounting records.

Procedures are in place to ensure that technical support is available for accounting systems and other systems that provide information to the accounting system.

Internal control policies are maintained during transitions in computerized accounting systems and other systems that provide information to the accounting system.