



SMLC

SOUTHWEST MICHIGAN

LIBRARY

COOPERATIVE

FINANCIAL PROCEDURES AND POLICIES

Approved at September 30, 2021 SMLC Board Meeting

Southwest Michigan Library Cooperative

**Southwest Michigan Library Cooperative
Financial Procedures and Policies**

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Revenue

1. All cash or checks received by the cooperative must be signed "Southwest Michigan Library Cooperative - For Deposit Only" and stored in a safe until the next bank deposit is made.
2. State Aid payments will be set up as Direct Deposit.
3. All revenue needs to be recorded regardless of its source.
4. The cooperative does not accept credit card charges at this time.

Purchasing

1. The Cooperative Director and other approved purchasers shall purchase or contract for supplies and services to the best advantage of the Southwest Michigan Library Cooperative, procuring the best value in supplies and contractual services in the best interest of the Southwest Michigan Library Cooperative.
2. The Cooperative Director shall determine which purchases of materials, supplies, equipment, and contractual services shall be by contract.
3. Whenever possible, purchases will be made as a tax-exempt purchase.
4. The Cooperative Board must approve all purchases and expenses for individual items over \$5,000 that are outside of the approved budget plan.
5. Any contracts of \$5,000 or more must be approved by the Cooperative Board before they are signed.
6. Bids will be required for all contracts or purchases exceeding \$5,000.
7. For purchases, contracts, or agreements, deemed by the Southwest Michigan Library Cooperative Director to be of an emergency nature, and normally requiring Southwest Michigan Library Cooperative Board approval, the Cooperative Director may make the purchase and notify the Cooperative Board at the next meeting.

Debit Cards

At this time the Cooperative does not maintain any debit or credit cards.

Banking

1. The Southwest Michigan Library Cooperative Board will designate (as necessary) which financial institutions are authorized to hold the Southwest Michigan Library Cooperative's funds.
2. Authorized signers of bank accounts will be: Cooperative Director, Cooperative Board Treasurer, and Cooperative Board President.
3. Authorized staff for ACH transactions will be: Cooperative Director, Cooperative Board Treasurer, and Cooperative Board President.
4. Bank deposits are compiled by the Treasurer. When deposits are necessary, bank deposits will be made at least monthly by the Treasurer as approved by the Cooperative Board.
5. A copy of bank deposit slips will be emailed to the Cooperative Director and Bookkeeper.
6. Access to passwords for online banking and Quickbooks will be limited to: Director, Board Treasurer, and Bookkeeper.
7. The Bookkeeping Service will reconcile accounts quarterly to the bank statements and these reconciliations will be reviewed by the board treasurer and Director.
8. In the absence of a Bookkeeping Service, reconciliation duties may be covered by Director and/or Treasurer temporarily, with a division that ensures checks and balances of the work.
9. The Bookkeeper will prepare a quarterly Treasurer's Report for the Cooperative Board.
10. The Cooperative Director and Treasurer are authorized to transfer funds between operating accounts and savings accounts as necessary.

Returned Checks

The Southwest Michigan Library Cooperative may charge the maker of any check deposited and subsequently returned by Southwest Michigan Library Cooperative's bank an unpaid fee of \$25 plus the total amount due.

Records Retention

SMLC will strive to follow best-practices regarding records retention. SMLC will follow Michigan's General Schedules for Local Government regarding records retention and disposal. Information on this can be found at:

https://www.michigan.gov/dtmb/0,5552,7-358-82548_21738_31548-56101--,00.html

Accounts Payable/Payroll

1. Blank checks will be stored in a secure location at the Bookkeeping office.
2. Accounts payable checks are only issued against original invoices that have been approved and initialed by the Cooperative Director or other designee as approved by the Cooperative Board.
3. The Bookkeeper will check the authenticity of all vendors before they are entered into the bookkeeping software.
4. Accounts payable checks will be issued bi-weekly.
5. All checks require two approved signatures.
6. The Cooperative Director will be paid on a quarterly basis. If the Cooperative Director works only a portion of a quarter, the payment will be pro-rated. The Cooperative Director is a contracted employee and is required to pay their own withholding taxes.

Budget

1. After review, the Cooperative Director will recommend an annual budget to the full board.
2. The Cooperative Director will bring budget adjustments to the board if needed.

Audit

1. The Cooperative Board will select a qualified auditor.
2. The Cooperative Director, Treasurer, and Bookkeeper will coordinate with the auditor for the yearly audit.
3. The Cooperative Board will review a yearly audit of the library financials.
4. The Bookkeeper will enter the recommended audit adjustments in a timely manner.

External Financial Controls

The Southwest Michigan Library Cooperative Board handles or delegates these functions to ensure public funds are being managed according to rules, regulations, and Southwest Michigan Library Cooperative Board actions.

1. **Financial Reports:** Review of financial reports shall take place by each board member before the monthly board meetings. During the Cooperative Board meetings, the Treasurer and Cooperative Director may note anything of interest, and the Cooperative Board members shall have the opportunity to comment on the reports on items critical to the entire board. Board members may also discuss the reports with the Cooperative Director before or after the meeting for clarification, comments, or questions.
2. **Audits:** The Southwest Michigan Library Cooperative Board shall have the responsibility and authority to conduct internal audits at its discretion. An annual audit shall be conducted by an independent firm chosen by the Southwest Michigan Library Cooperative Board.
3. **Purchases:** The Southwest Michigan Library Cooperative Director (or designee) is authorized to make all purchases. Prior approval of the Southwest Michigan Library Cooperative Board is required for the purchase of individual items over \$3000, outside of the regular budget plan.
4. **Monthly Bank Reconciliation:** The cooperative will utilize an external Bookkeeping Service to review the books on a quarterly basis. The primary purpose of this service will be to do bill pay, reconciliation, provide guidance, and answer questions that arise from the Director or Treasurer.

Internal Controls and Accounting Functions

1. **General:** The Southwest Michigan Library Cooperative Director is responsible for handling all cash and assets of the Southwest Michigan Library Cooperative and shall comply with applicable policies and Southwest Michigan Library Cooperative Board actions. The Southwest Michigan Library Cooperative Director shall be responsible for adopting adequate procedures to ensure the proper authorization of transactions; the appropriate segregation of duties; the proper recording of authorized transactions and events; and adequate safeguards regarding access to and use of assets and records.
2. **Cash Receipts:** All receipts shall be handled in a timely manner. Under normal circumstances, deposits shall be made within the month received.
3. **Deposits:** The Southwest Michigan Library Cooperative Director or Treasurer shall make all deposits and create a record of all such transactions. When applicable, direct deposits to the SMLC bank account shall be set up. (ie. State Aid will be set up via SIGMA Vendor Services.)
4. **Receipt of Goods:** If applicable, the Southwest Michigan Library Cooperative Director, Assistant Director (or designee) shall receive and inspect all goods and services prior to authorizing payment of the invoice. Trainings will not be paid-in-full in advance of training sessions.
- **Approval of Invoices, Reimbursements, and Grants:** The Treasurer shall approve all invoices, grants, and reimbursements before sending them to the Bookkeeper for bill payments. All invoices shall be appropriately documented. Receipts will accompany all reimbursement requests. In absence of a receipt, a supporting document listing Merchant's name, transaction date, amount paid, description of purchased item(s) or services, and form of payment used can be submitted for Treasurer approval.
5. **Authorization of Payments:** The Treasurer and Cooperative Director will review all invoices to be paid. Two approved signatures will be required on all checks..
6. **Recording of Transactions:** The Bookkeeper shall be responsible for recording all transactions. These transactions may be reviewed at any time by the Southwest Michigan Library Cooperative Board.
7. **Employee Payments:** The Bookkeeper shall pay the Cooperative Director on a quarterly basis. The Cooperative Director is responsible for filing his or her own withholding taxes.
8. **Automated Financial System (Quickbooks):** The Southwest Michigan Library Cooperative Director shall be responsible for the operation of the automated financial system, ensuring that only authorized persons have access to the financial files. The Cooperative Director, Treasurer, and Bookkeeper shall be defined as the primary authorized parties. Others may be authorized upon approval from the Southwest Michigan Library Cooperative Board.

Accounting System Narratives and Procedures

- Accounting System Security
- Accounts Payable
- Accounts Receivable and Check/Cash Processing
- Bank Reconciliations
- Billing
- Budget Process
- Employee Information
- Payroll Processing
- Social Security Numbers

Accounting System Narratives and Procedures

Accounting System Security

1. The "official" version of the Quickbooks database resides online and is accessible only through password entry by authorized users. Quickbooks is operated in "multi-user" mode, allowing changes to the official Quickbooks database to be made on any computer and saved simultaneously to both.
2. Quickbooks Online Security information can be found at: <https://quickbooks.intuit.com/global/security/>
3. Separate Quickbooks user names (each with an individual password) are set up for the Cooperative Director, Treasurer, and Bookkeeper. These passwords are available only to the Cooperative Director, Treasurer, and Bookkeeper, unless another user is authorized by the Cooperative Board.

Accounting System Narratives and Procedures

Accounts Payable Procedure

1. On a monthly basis, the Southwest Michigan Library Cooperative Director, receives all accounts payable invoices and reviews the invoice to check for accuracy, dates and initials the invoice to be paid.
2. All invoices are forwarded by email to the cooperative's Bookkeeping service for payment. The Board Treasurer is included on emails requesting payment for invoices.
3. The Bookkeeper enters all accounts payable invoices that need checks into Quickbooks and prepares and prints the checks. Checks are printed with the pre-printed signature of the Cooperative Director and Board Treasurer.
4. A quarterly report of transactions is prepared by the Bookkeeper and given to the Director and Board for review of financial activity.
5. All invoices, bank statements, and check information are stored electronically. All attachments can be found in Quickbooks Online or available upon request.
6. Treasurer sends all copies of receipts and deposit of state aid to the Bookkeeper.
7. The Bookkeeper mails out checks as soon as possible after they are signed.

Accounting System Narratives and Procedures

Accounts Receivable/Check Cashing Procedure

1. When Treasurer receives checks, they are locked until they are deposited. Upon deposit, the receipts are sent to Bookkeeper.

Accounting System Narratives and Procedures

Billing Procedure

1. The home library of the Cooperative Director (currently Otsego District Library) may make payments on behalf of the cooperative and then accept payments from member libraries for the service or goods.
2. Invoices to member libraries will be sent out as needed.
3. The Cooperative Director will track invoices and send "past due" statements as necessary.
4. Refer to the Accounts Receivable Policy.

5. Accounting System Narratives and Procedures

Bank Reconciliations Procedure

1. Bank statements are sent from the Treasurer to the Bookkeeper on a quarterly basis.
2. The Bookkeeping Service will reconcile all bank statements and verify appropriate documentation is present for all purchases.
3. The bank reconciliations are reviewed quarterly by the Cooperative Board Treasurer. They are then kept on file in Quickbooks. The treasurer will review the reconciliations.
4. The Bookkeeper submits a "Treasurer's Report," with the information from the bank reconciliations, which is sent in the quarterly Cooperative Board agenda packet.

Accounting System Narratives and Procedures

The Budget Process Procedure

1. The cooperative's fiscal year is January 1 – December 31.
2. The annual budget for the operating fund is prepared by the Cooperative Director and submitted to the Southwest Michigan Library Cooperative Board Budget committee for review and adoption in August. If a Budget committee is called, they will meet prior to the August board meeting..
3. The adopted budget for the next fiscal year is entered into Quickbooks by the Cooperative Director or Bookkeeper.
4. Budget adjustments will be made as necessary.
5. The Cooperative Board meets in February, April, August, and October, and specifically considers:
 - a. Any large contracts or projects which require bids. (Bids are required when expenditures exceed \$3000.)
 - b. Any necessary amendments to the budget.
 - c. Other significant financial matters of the Southwest Michigan Library Cooperative.
6. In preparation for each meeting, the Southwest Michigan Library Cooperative Board members will be provided with an agenda packet that includes financial information of the Southwest Michigan Library Cooperative through the end of the previous quarter, as well as documentation related to other items requiring Cooperative Board approval or review. The Cooperative Board members should review this information prior to the meeting.

Accounting System Narratives

Employee Information Procedure

1. It is the policy of the Southwest Michigan Library Cooperative to keep personal information about its employees (i.e. home address, phone number, social security numbers, etc.) private and confidential.
2. Employee information is stored in a locked location and on a password-protected Quickbooks file and is only accessible by the Cooperative Director, Treasurer, and Bookkeeper.

Accounting System Narratives

Payroll Processing Procedure

1. Currently, the Director is the sole employee of the Southwest Michigan Library Cooperative. The Director's payroll is paid quarterly and it is the Director's responsibility to file his/her own withholding taxes on the payments.
2. The Cooperative Director is a salaried employee that is not required to submit timesheets. The Cooperative requires the Director to work on a weekly basis for the number of hours defined on the job description.
3. The Bookkeeper submits the quarterly payroll for for the Director via Direct Deposit.-The Bookkeeper emails a paystub to the Director.
4. Copies of payroll confirmations are kept in Quickbooks in an electronic file.
5. The Cooperative Director can submit reimbursement requests for meals and mileage. The Board Treasurer must approve these before submission to Bookkeeping.
6. The role of Cooperative Director does not get any benefits or paid time off at this time.

Accounting System Narratives

Social Security Numbers Procedure

In compliance with Michigan's Social Security Privacy Act (P.A. 454 of 2004) Southwest Michigan Library Cooperative will ensure, to the extent practicable, the confidentiality of social security numbers. For the purpose of this policy, SSN refers to the use of more than 4 sequential numbers of an employee's social security number.

Southwest Michigan Library Cooperative will not:

- Publicly display an employee's SSN
- Use the SSN as the primary account number for any employee
- Visibly print the employee's SSN on any badge or card
- Require an employee to use or transmit the SSN over the internet or computer system network, unless the connection is secure, the transmission is encrypted, or a password or other authentication device is required to gain access.
- Include the SSN in or on any document sent to an individual if the numbers are visible on, or without manipulation, from outside an envelope or package.
- Unlawfully disclose SSN numbers.

Only the Cooperative Director, Treasurer, and Bookkeeper will have access to Social Security Numbers.

Documents containing Social Security numbers will be destroyed in an appropriate manner when no longer needed, after remaining on file for the appropriate number of years as determined by state and federal laws and regulations.

Penalties for unlawfully disclosing social security numbers may include discipline up to and including dismissal and can be punishable to the extent of the law. (PA 454 of 2004)

