Public Library Finance and the Trustee’s Fiduciary Responsibilities

Ramapo Catskill Library System

September 21, 2016

Presented by: Jerry Nichols, Director, Palmer Institute for Public Library Organization and Management; Palmer School; LIU Post

Stephen Hoefer, Ramapo Catskill Library System Fiscal Officer
Today’s Topics

• Your Job as a Trustee
• Critical Laws
• Governing your Assets
• Best Budgeting Practices
• Critical Policies
• State Comptroller’s Audits
• Additional Resources
Your Job as a Trustee

- To act in good faith
- Be loyal to the institution
- Fulfill the mission
- Comply with the law
- Provide Fiscal Oversight
- Advocate for the Library
- Hire the CEO

NYS Board of Regents, Statement on the Governance Role of a Trustee or Board Member: www.regents.nysed.gov/about/statement_governance.html
Providing Fiscal Oversight

**Fiduciary Accountability**-

“ensure that **financial resources are being used efficiently and effectively toward meeting the institution’s goals**”; and “**hire a CEO** to manage the operation of the institution and evaluate his/her overall performance”.

- Select a qualified Library Director and let them manage.
- Secure sufficient financial resources.
- Monitor expenditures and get an annual independent audit.

NYS Board of Regents, *Statement on the Governance Role of a Trustee or Board Member*:

[www.regents.nysed.gov/about/statement_governance.html](http://www.regents.nysed.gov/about/statement_governance.html)
Critical Laws

• NYS Ed. Law Section 226 – Powers & Duties of Trustees
  • Property Holding, etc.

• NYS Ed. Law Section 259 – Taxation
  • “Continuing Appropriation”
  • Trustees approval of expenditures
  • Receipt and Segregation of Library funds
  • “Chapter 414” process

• NYS Ed. Law Sec. 260 – Powers of Trustees; school district public library authority
  • Separate budget and trustee vote
  • “Requiring” School District to Bond Construction
Critical Laws, continued

• NYS General Municipal Law (Public Libraries)
  • Competitive Bidding and Procurement
  • Conflicts of Interest

• NYS Not-for Profit Revitalization Act (Association Libraries)
  • [www.charitiesnys.com](http://www.charitiesnys.com)
  • Conflicts of Interest
    • “Related Party Rules”
    • Audit Committees and Independent Audits

• Public vs. Association Libraries: Adopting “Best Practices”
The Board Review Process
Due Diligence, Oversight and Transparency

• Public Access to Decision Making
  • Open Meetings Law
  • FOIL and the Principles of Access to Public Records

• Transparency in Financial Issues
  • Budget Process
  • Audits
  • Reserve Funds
Governing Your Assets

*It starts at the top!*

- Effective Board Meetings
- Financial Reports
- Internal Controls
- Annual Independent Audits
- Reserve Funds
- Investments
- Risk Management
- Essential Policies & Procedures
The Board Review Process
Effective Board Meetings

• Every Trustee’s Fiduciary Responsibility - “Doing Diligence”
• Responsibility of the Treasurer/ Finance Officer
  • 501 (c) 3 Audit Committees
• Content of Financial Reports - The Need for Clarity
• Board Approval of all Expenditures
• Authorization of Pre-pays, Petty Cash and Discretionary Funds
The Board Review Process

Financial Reports - What you should see

- Bank Account Reconciliation
  (Prepared by Library Treasurer or other independent source)
- Details of Recent Activity
- Information on all Library accounts
The Board Review Process

Financial Reports - What you should see

• **Library Revenues** (Prepared by Library Business Office)
  - Showing month to month details of “Budgeted” and “Received”:
    - Tax revenues
    - Fines & Fees
    - Donations
    - Interest
    - Other anticipated revenues
    - Unanticipated revenues

• **Library Expenditures:** (Prepared by Library Business Office)
  - Your line item annual budget
  - Your line item expenditures this month
  - Your year-to-date expenditures by item
  - Your “encumbrances” (what you are committed to pay)
  - Your balance for each line item
  - The percentage remaining for each budget line
# The Board Review Process

## Financial Reports – Sample of RCLS Fiscal Officer’s Report

<table>
<thead>
<tr>
<th>Ramapo Catskill Library System</th>
<th>Fiscal Officer’s Report</th>
<th>June 30, 2016</th>
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<tbody>
<tr>
<td><strong>Expenditures</strong></td>
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<td>Fiscal Officer’s Report - Appropriations</td>
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<td>Nonprofessional Salaries</td>
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<td>Automated Services Salaries</td>
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<td>Books/Professional Materials</td>
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<td>Books/Central Book Aid</td>
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<td>Seniors</td>
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<td>Professional Fees</td>
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<td>Continuing Education-Staff</td>
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<td>Annual Meeting Costs</td>
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<td>Insurance</td>
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<td>Operation of Vehicles</td>
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<td>Outreach Funds - Not Assigned</td>
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<td>Continuing Education - RCLS Programs</td>
<td>40,517.00</td>
<td>5,618.17</td>
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</tbody>
</table>
The Board Review Process

Financial Reports - What you should see

• Vouchers/Warrants:
  (Prepared by Library Business Office)

• Audit and Approval of expenditures:
  (NYS Ed. Law 259.1)

• Bill vouchers & Payroll warrants
• Pre-pays & Director’s discretionary funds

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<thead>
<tr>
<th>Payable To:</th>
<th>Invoice</th>
<th>Description</th>
<th>Inv Amount</th>
<th>Gl Dstr</th>
<th>Gl Amt</th>
<th>Ck Amt</th>
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<td>ORANGE &amp; ROCKLAND UTILITIES, INC.</td>
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<td>SOFTWARE</td>
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<td>65876</td>
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<td>PRINTER CABLE FOR NAC EPSON PRINTER FOR MHC</td>
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<td>OVERDRIVE, INC.</td>
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<td>CONTENT IF TITLES-CLD FUND</td>
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<td>D1.74104290 10.30.30.30 Contracts w/Libraries-Central Lib</td>
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</table>

Month End Total for above Account: 320,852.22
Governing your Assets

Internal Controls

A process, effected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

- [www.osc.state.ny.us/localgov/pubs/lgmg/managementsresponsibility.pdf](http://www.osc.state.ny.us/localgov/pubs/lgmg/managementsresponsibility.pdf)

- Review budget, revenues and expenditures monthly
- Review documentation
- Dual authorization for checks
- Segregation of duties
- Securing cash
- Making deposits
Internal Controls, continued

• Segregation of incompatible duties:
  • Custody of assets
  • Authorization or approval of transactions affecting those assets
  • Recording or reporting of related transactions

Model Segregation of Duties for Purchasing
An audit is an independent assessment of the fairness by which a library's financial statements are presented by its management. It is performed by competent, independent and objective person or persons, known as auditors or accountants, who then issue a report on the results of the audit.

Such systems must adhere to generally accepted standards set by governing bodies that regulate business or governmental accounting practices. It simply provides assurance for third parties or external users that such statements present “fairly” a company's financial condition and results of operations.

Though an audit that conforms with generally accepted accounting principles (rather than a “review”) may not be required for your Library; it is in the Library’s, the community’s and the Trustees’ best interest to do so.

The Library Board should review the annual audit with the independent auditor at a public meeting and thoroughly discuss the financial position, policies and practices of the institution.
Governing your Assets
Proper Use and Reporting of Reserve Funds

• Typical Use of Reserve Funds
  • Cash Flow
  • Future Significant Expenses

• Appropriate Use and Transparency of Reserve Funds
  • How Much????
    • Comptroller’s Opinions and Recent Audit Comments
  • Board Authority
  • Public Accountability
  • GASB 54: http://gasb.org
Governing your Assets

Investment Practices

• Public vs. Association Libraries- Adopting “Best Practices”
• All Funds held by “Public” Libraries are subject to OSC Regulations
• Public Investment Regulations-

  Public Libraries are required to adopt an investment policy based on guidelines developed by the New York State Comptroller.

These guidelines stress the need to protect the public’s money over the possible gains derived through non-guaranteed investments.

In effect, public libraries may only invest funds in secured investments such as FDIC insured accounts or U.S. Treasury bills.

If the threshold for FDIC insurance is exceeded, third party collateral must be provided by the banking institution.

- www.osc.state.ny.us/localgov/pubs/lgmg/investingpublicfunds.pdf
Governing your Assets

Risk Assessment

• Insurance
  • Seeking the “Best” coverage

• Inventories
  • Insurance Purposes
  • Auditing: GASB 34

• Bonding Employees

• Negligent Hiring – Background Checks

• Business Continuity Plans
Providing Resources
“Secure sufficient financial resources”

• Over 93% of public library revenues in New York State are from public funds;

• Tax Cap/Tax Freeze legislation chills additional library funding and results in cuts to municipally funded libraries;

• In fact, very few public libraries in New York State derive truly significant support from fundraising.

*Be realistic about your funding and plan ahead!*
Budgeting effectively

Best Practices

• The Library’s Mission…more than just a pretty phrase
  • Vision…where do you want to be tomorrow
  • Values…establishing a culture of service

• Budgeting as a Planning Tool…
  • Long Range Goals
  • Strategic Initiatives
  • Flexibility in response to change

• Management Roles in Budget Development
  • The Director as CEO
  • Board Finance Committee
  • Execution and Oversight
Essential Policies & Procedures

- Code of Ethics/ Conflict of Interest
- Procurement: [www.osc.state.ny.us/localgov/pubs/listacctg.htm#fiscal](http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#fiscal)
- Investments:  [www.osc.state.ny.us/localgov/pubs/lgmg/investingpublicfunds.pdf](http://www.osc.state.ny.us/localgov/pubs/lgmg/investingpublicfunds.pdf)
- Budget Process
- Payment of Bills
  - Authorization of Pre-payments (annually)
  - Director’s pre-authorization (annually)
- Petty Cash
- Deposit of Funds (annually)
- Annual Audit
- Reserve Funds - GASB 54 Compliance: [http://gasb.org](http://gasb.org)
- Whistleblower Policy (Association Libraries with +20 staff)
New York State Comptroller’s Audits

Who is Subject to OSC Audits?

Key Areas of OSC Audits:

- Purchasing Practices
- Board & Treasurer Roles and Duties
- Policies and Procedures
- Audit of Invoices Prior to Board Meetings
- Warrants/Vouchers
- Payroll Management
- Checks (Appropriate Signatures and Safeguards)
- Cash Receipts
- Segregation of Duties
- Reserve Funds
- IT and Technology
- Data Backup
NY State Comptroller’s Audits

RCLS Policies adopted as a result of the OSC Audit

http://www.rcls.org/?q=node/530
Primary Resources

- **Statement on the Governance Role of a Trustee or Board Member:**
  www.regents.nysed.gov/about/statement_governance.html

- **U. S. Internal Revenue Service:**
  www.irs.gov/Charities-&-Non-Profits

- **New York State Comptroller:**
  www.osc.state.ny.us/
  www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg

- **New York State Attorney General:**
  www.charitiesnys.com

- **Government Accounting Standards Board:**
  http://gasb.org
Additional Resources

• NY State Comptroller:
  • Local Government Publications: www.osc.state.ny.us/localgov/pubs/listacctg.htm#fiscal
  • Code of Ethics Tutorial: www.osc.state.ny.us/localgov/training/modules/protecting/index.htm
  • Tax Cap Information: www.osc.state.ny.us/localgov/realprop/index.htm
  • Tax Freeze Information: www.osc.state.ny.us/localgov/realprop/taxfreeze/pdf/TaxFreeze_Instructions.pdf

• NY State Not-for-Profit Revitalization Act:
  http://open.nysenate.gov/legislation/api/1.0/lrs-print/bill/S7431-2011

• NY State Attorney General:
  www.charitiesnys.com/pdfs/Right%20From%20the%20Start%20Final.pdf

• National Council of Non-Profits: www.councilofnonprofits.org
Trustee Information Resources

• Division of Library Development: [www.nysl.nysed.gov/libdev](http://www.nysl.nysed.gov/libdev)

• Library Trustees Association of New York State (LTA): [www.librarytrustees.org](http://www.librarytrustees.org)

• New York Libraries Trustees Online: [www.nylto.org](http://www.nylto.org)  [login available from your regional library system]

• NYS Education Department: [www.nysed.gov](http://www.nysed.gov)

• NYS Comptroller: [www.osc.state.ny.us](http://www.osc.state.ny.us)

• NYS Attorney General: [www.ag.ny.gov](http://www.ag.ny.gov)

• Committee on Open Government: [www.dos.ny.gov/coog/index.html](http://www.dos.ny.gov/coog/index.html)

Acknowledgements

Credits:

- “Money Puzzle” - slides 1 & 25: https://www.flickr.com/photos/natloans
- “Money Scrabble” – slide 2: “PT Money” ptmoney.com
- “Balloon” - slide 3: www.flickr.com/photos/librariesrock
- “Board Room” – slide 7: St. Thomas Public Library
- “Library Board” – slide 8: Chelmsford Public Library
- “Spreadsheet mug” – slide 9: https://www.flickr.com/photos/craigmoulding
- “Trust” – slide 14: Weinstock; Symphony of Love
- “Segregation of Duties” graphic - slide 15: Ann Hofbauer, Amityville Public Library
- “Money” – slide 17: https://www.flickr.com/photos/17084757@Noo
- “Broken Pencil” – slide 23: https://www.flickr.com/photos/vvvracer
Public Library Finance and the Trustee’s Fiduciary Responsibilities

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