



# FISCAL MANAGEMENT POLICIES

*Approved by the Vista Grande Public Library Board of Directors -15-Aug-2000  
Reviewed and Approved – 17-Mar-2009  
Reviewed and Approved – 18-May-2010  
Reviewed and Approved – 17-Jul-2012  
Revised and approved – 21-Mar-2017  
Revised and approved – 11-Dec-2018  
Revised and approved – 21 Feb 2022*

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**ROLE OF THE BOARD IN FINANCIAL OVERSIGHT**

A Board Member’s fundamental role is to oversee the implementation of the Vista Grande Public Library (VGPL) mission. This includes exercising their fiduciary duty and responsibility to ensure that the organization’s financial resources are effectively managed and sufficient to assure the organization’s long-term financial viability.

Exercising fiduciary duty incorporates three basic duties: the duties of good faith, loyalty, and care. The duty of good faith requires a board member to act in good faith, in a manner that they reasonably believe to be in the best interests of the organization. The duty of loyalty requires the board member to act in a manner that furthers the interest of the organization and that the member refrain from engaging in personal activities that could be construed to injure or take advantage of the relationship to the organization. The duty of care requires that the member exercise diligence in the oversight of corporate officers, seeking and reviewing all necessary information in order to make informed decisions. As a part of that duty the member must make reasonable inquiries and exercise independent judgment using the skill, caution, and diligence that a prudent person would use in handling Library affairs.

**PURPOSE**

To ensure that controls are established to facilitate efficient and effective management of the Library’s fiduciary responsibilities in compliance with current accounting practices and governmental regulations.

## **FISCAL AUTHORITY**

In concert with the Board of Directors, the Library Director and Staff provide fiscal oversight of funds allocated to support the library's mission.

The annual operating budget is carried out by the Library Director and staff. The annual budget reflects the estimated costs of carrying out the library's programs and services. The Library Director is the primary purchasing agent for the library and is responsible for all contracts, orders, and purchases. The Director shall select products, services and vendors that best meets the needs and goals of the library and shall delegate this authority to the Library Assistant as is appropriate or necessary. To reduce risks of financial loss to the library, the Director shall implement procedures to prevent embezzlement, ensure against liability losses, properly maintain facilities and equipment, and ensure funds are disbursed only in compliance with Board authorization and federal and state laws.

The Board Treasurer and library bookkeeper record all library transactions to accurately reflect library operations. Information on donations received during library business shall be forwarded to the Development Chair for acknowledgement. Monthly reports will be presented to the Board that include individual deposits and payments made into or from library accounts. Monthly and quarterly reviews shall be provided by the Treasurer to the Library Director and Board.

Library staff are to become familiar with the annual budget, purchasing guidelines and procedures to ensure fiscal accountability when making purchases on behalf of the library. Staff who make unauthorized purchases will be subject to disciplinary action including possible dismissal.

## **FINANCIAL ACCOUNTS**

### **Policy**

The VGPL Board of Directors shall maintain control of all financial accounts and fiscal matters. The Board shall select financial institutions and accounts that incur minimal or no risk to loss of principal and maintain adequate liquidity to meet operating needs. Oversight and specific functions are delegated to the Treasurer and Finance Committee as per the *Bylaws* or as stated in these Fiscal Management Policies.

## **Guidelines**

### **Institutions**

The Finance Committee shall annually review the financial institution(s) and the type(s) of accounts that shall be the repository of the Library's funds. This review will take place at the time the Committee drafts a new budget. If changes are warranted, the Finance Committee shall draft recommendations for the Board's review and approval.

### **Signatures**

Signatures on all accounts shall be the President, Vice President and Secretary. Signature authority shall be reviewed annually at the start of the new fiscal year and revised as the above officers change.

Checks for amounts of twenty-five hundred dollars (\$2,500) or more shall require two signatures. The recipient and signer of a check may not be the same individual. A signatory may not sign a check payable to a family member.

### **Debit Card**

The Board President is required to apply for and manage a **debit** card through the Library's primary banking institution. This card is to be used only for purchases on behalf of the Library or to establish Board authorized EFT invoice payments, and the card limit is not to exceed \$1,000. Although issued to the Board President, the Library Director is responsible for securing and managing use of the card, except for preauthorized debits. Appropriate authorization should be sought prior to the use of this card.

### **On-Line/Local Purchasing**

The Library may set up accounts with on-line or local companies (e.g., Amazon.com, DEMCO, Sam's Club) to facilitate ordering of materials and supplies. As these accounts are established for VGPL as a non-profit tax-exempt entity, they are not to be used for personal purchases.

### **Financial Statements**

All institutional financial statements shall be sent to the Library official business address and reconciled monthly by the Treasurer and or part-time bookkeeper.

### **Receipt and Deposit of Library Monies**

All monies received by the Library shall be deposited in an appropriate account within five to seven business days of receipt. All sources of monies received shall be identified individually, excluding anonymous cash receipts, and copies of checks retained. All monies shall be prudently safeguarded until deposited. The official business name and address of the Library shall be used for all

solicitations of contributions or receipt of funds. Donations are acknowledged with a thank you letter that serves as a donation receipt.

Monies received from large fundraising events shall be dual counted and reconciled by the Treasurer, Bookkeeper, Library Director, or Board member and one designee. Cash receipts greater than \$500 shall be deposited the same day at the financial institution or through the night deposit.

### **Special and Grant Funding Opportunities**

The Library Director or an Executive Board Member must obtain prior Board of Directors approval prior to applying for or seeking any special funding or grant from any federal, state, or other outside agency. The special funding or grant must not conflict with other special or grant fundings and obligations. The Board bears all responsibility for administration and execution of all special funding or grant receipts.

## **LONG TERM INVESTMENTS**

### **Policy**

Investment funds, held in a portfolio and managed by the New Mexico Community Foundation, consist of an Operating Reserve Fund and a Sustaining Endowment Fund. The VGPL Board of Directors shall provide oversight of the execution of investment funds, which serve as a reserve source of funds in the unforeseen event of a financial catastrophe or unavoidable deficit.

### **Guidelines**

Any net surpluses (fund balance) reported at the end of a fiscal year shall either be held over to the next fiscal year or be deposited into the reserve fund with the greatest earnings potential. Recommendations will be presented and addressed at the annual budget meeting, with action taken by Finance on behalf of Board decisions.

Separate donations received and earmarked for a given fund will be deposited into the fund requested.

Funds required to support a fiscal year deficit will be drawn first from the Operating Reserve Fund until depleted, followed by the Sustaining Endowment Fund. Any potential funding draw must be initiated by the Treasurer and reviewed first by the Finance Committee, followed by the Executive Board. Upon Committee approval, the request will be presented to the Board of Directors for final approval. It is the Treasurer's responsibility to ensure funds are withdrawn and administered in accordance with the Board's recommendations and approval.

## **ANNUAL BUDGET**

### **Policy**

The VGPL Board of Directors shall exercise fiduciary responsibility in managing funding for Library programs and operations by approving and monitoring an annual budget within the constraints of funds available for that fiscal year. The annual budget for the upcoming fiscal year will be approved by the Board at the last meeting of the current fiscal year (July 1 – June 30).

### **Guidelines**

The annual budget of the Library shall be drafted by the Finance Committee as stated in the *Bylaws* and presented for approval by the Board of Directors. The draft budget shall include all proposed operating expenses, capital outlay expenditures and projected revenue. The budget must be balanced, and any fundraising events sponsored by the library must be planned as break-even or greater.

Budget expenditures shall be analyzed at least quarterly by the Finance Committee and reported to the Board. The Finance Committee may propose budget revisions to the Board as needed.

The Treasurer will report the account balances, monthly and YTD income and monthly and YTD expenditures at each Board meeting and provide more detailed reports as requested.

The format of the budget and accounting entries shall allow for tracking of income and expenditures as required for governmental reports and other required documentation.

## **APPROVAL OF PURCHASES, ORDERS, OR CONTRACTS**

### **Policy**

All expenditures shall have prior approval as a line item in the budget or special approval by action of the VGPL Board of Directors. The Board encourages the purchasing of goods or services from local merchants and vendors while recognizing a responsibility to its contributors to ensure maximum value is obtained for each dollar spent. When feasible the multiple bids will be sought.

### **Guidelines**

The Library Director and committee chairs are authorized to purchase budget approved items but should consult with the Treasurer to ensure sufficient funds are available in the Operating Account when orders totaling \$750 or more are planned. Documentation of purchases made with the debit/credit card must be given to the Treasurer upon completion.

Any unbudgeted expense in excess of \$1,000.00 must be approved by the Executive Board and the Board of Directors upon recommendation of the Finance Committee.

The President shall sign all contracts for services after Board approval.

## **DISBURSEMENT OF FUNDS**

### **Policy**

It is the policy of the VGPL Board of Directors to provide substantial internal controls when disbursing funds and be in compliance with applicable generally accepted accounting principles, grant requirements, and federal or state requirement when accounting for income and expenditures. It is also the policy of the Board to retain sufficient resources to meet daily financing needs, pay its obligations in a timely manner and maintain a high-quality credit rating.

Internal controls include, but are not limited to, the approval of expenses as noted in the preceding paragraph on expenditures, adequate separation of duties within the payment process, provision of sufficient supporting documentation as to the nature of the disbursement and its approval, and limited access to the checking account or funds.

### **Guidelines**

#### **Account Funds**

The Treasurer and or the part-time bookkeeper shall issue all checks for prepayment of orders that have been approved or for payment of invoices in a timely manner to avoid interest or penalty charges and maintain a high-quality credit rating. Tax-exempt certificates shall be issued as appropriate. All invoices shall acknowledge the receipt of goods purchased and date of payment. A copy of the check stub shall be attached to the file copy of prepaid purchase orders and invoices.

Documentation of purchases made with the debit/credit card must be maintained with the bank statement showing the debit transaction.

#### **Petty Cash**

A petty cash fund of no more than \$50 will be maintained at the Library for incidentals that are within the approved budget and are of immediate need. A receipt must document the use of these funds. The Library Director will have authority to maintain and use the petty cash account. The petty cash account shall be reconciled monthly by the Treasurer and or part-time bookkeeper and its use evaluated at least annually by the Finance Committee.

## **Reimbursements to Board or Committee Members or Employees**

A Reimbursement Request form shall be completed and approved prior to reimbursement. Receipts for all items shall be attached to the Reimbursement Request, as detailed on the request form. Only expenses approved within the budget or specially approved by the Board shall be reimbursed. Reimbursement Request forms shall be submitted in a timely manner and acted upon within two weeks of receipt.

## **EMPLOYER PAYROLL OBLIGATIONS AND LIABILITIES**

### **Policy**

The VGPL Board of Directors shall comply with all federal and state employment laws regarding wages and tax obligations. All remittances for employer payroll taxes will be paid in accordance with federal and state law to the appropriate taxing authority or entity.

All employees of the Library will be paid on a bi-weekly pay schedule in accordance with a previously established salary schedule. All government mandated taxes will be deducted from employee earnings based on the amount of remuneration earned and on the current status of each employee's W-4 withholding. These taxes will be paid on the employee's behalf to the appropriate taxing authority or entity. W-4 forms will be in each employee's file and updated as needed.

Periodic reports of specified data in employee payroll records will be submitted to the appropriate government agencies as required by federal and state law.

## **RECORDKEEPING**

### **Policy**

Tax returns will be kept indefinitely. All supporting financial documentation will be retained as per the Document Retention and Destruction Policy and organized by fiscal year.

### **Guidelines**

A list of Capital Assets shall describe the item, its date of acquisition and original cost. A record of the library collection is maintained in the integrated library system.

## **PROTECTION OF ASSETS**

### **Policy**

The VGPL Board of Directors shall ensure protection of the Library's assets by acquiring appropriate insurance and reviewing policy needs on an annual basis.



Insurance policies shall include, but not be limited to, fire, property and general liability, workers compensation, accident policy for volunteers, and directors/officers liability.

**Guidelines**

All insurance policies, paid by the Library, will be reviewed annually by the Finance Committee and recommendations presented to the Board.

**FINANCIAL CONSULTATION AND SERVICES**

**Policy**

The Board of Directors shall use the services of a professional certified public accountant to ensure that the current accounting practices are being followed to comply with federal and state requirements.

**Guidelines**

The Treasurer will consult with a CPA as needed to review the financial data and corporate obligations. Annual filings of tax reports will be compiled with the assistance of and reviewed by the CPA prior to being submitted.

**PUBLIC ACCESS TO LIBRARY FINANCIAL INFORMATION**

**Policy**

In accordance with federal and state regulations, copies of annual required tax reports will be made available to the public upon request. Information about individual employees shall be confidential. All financial records, checks, and accounting data will be kept in a secure file cabinet or accessed on the computer with a password. Only the Treasurer, President, Vice President and Secretary will have access to the hard copy files. Only the Treasurer and his/her designee(s) should have access to electronic financial records.

**Guidelines**

Copies of the annual required tax reports will be available at the Library and accessible to the public via the Library's website.

The IRS requires a not-for-profit organization file a Form 990 annually. Prior to submission, Board members will review the document for any red flags or potential areas of concern to prospective donors or governmental agencies. The Form will be signed by the Board President upon submission to the IRS.

The Treasurer will file all necessary tax reporting documents, including the 990 mentioned above, to the government. This includes uploading such tax reports to the COROS system, which is the New Mexico Attorney General site.