

# LA Law Library Accounting Policies and Procedures Manual

Effective August 1, 2012

(Revised ~~November 20~~August 26, 2014~~3~~)

# Accounting Policies and Procedures Manual

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## **A. Accounting Policies**

### **1. Introduction**

This sets forth the accounting policies of the LA Law Library (“Library”). Its purpose is to ensure that:

- a. Assets are safeguarded,
- b. Financial statements conform to generally accepted accounting principles,
- c. Adequate financial controls are in place, and are being followed, and
- d. Finances are responsibly managed.

If not already in effect, all policies herein will become effective as of November 20, 2013.

The Library expects employees to follow the policies as they apply to their respective roles and responsibilities. These policies are promulgated under the authority of the Board of Trustees and were approved by the Board on November 19, 2013.

### **2. Accounting Principles**

The Library’s financial statements shall be prepared in accordance with the accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Library applies all relevant GASB pronouncements and Financial Accounting Standards Board (FASB) Statements and Interpretations.

### **3. General Accounting Policies and Internal Controls**

- a. The Executive Director, Senior Directors, ~~Director of Finance~~, and Finance Manager are responsible for establishing appropriate controls in all areas and for monitoring the effectiveness of controls.
- b. Employees are responsible for knowing and following the policies and procedures and for notifying supervisors about weaknesses in controls and opportunities to improve or enhance financial integrity.
- c. The Board will engage the services of a Certified Public Accountant to prepare a formal financial audit of the Library’s fiscal year-end. Every five years, the Board will consider whether to change the Library’s outside auditor.

- d. Every three years, the Board will engage the services of an outside actuarial firm to quantify the Library's liability pursuant to GASB 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."
- e. In general, those who approve invoices or other documents supporting the payment of invoices, statements, reimbursement requests, payroll documents, etc., should not also be the sole signer on checks, wire transfer authorizations, warrants, etc., to satisfy payment of those obligations. No-one should approve her or his own expense reimbursement request.
- f. The Library will not cash checks of any kind through the petty cash fund.
- g. The Library does not make salary advances.
- h. The Library does not make travel cash advances except in special rare cases and with the Executive Director's approval.
- i. Library credit cards may not be used for personal expenses or any other purpose unrelated to the Library's business. Purchases made using the Library's credit cards, including reimbursable employee travel and meal expenses, require prior approval. Card holders are personally liable to the Library for all purchases unrelated to the Library's operations.
- j. Non-recurring purchases over \$10,000 require at least three bids except where the vendor or supplier is the sole source for the product or service, as is often the case with library materials. The Library's postage is not to be used for personal mailings under any circumstance. In addition, staff may not use the Library's UPS or FedEx accounts for personal shipping.
- k. Accounting staff are required to take at least one consecutive week of vacation annually.
- l. The Library requires adequate supporting documentation for all reimbursements. For meals reimbursement, the names of persons present, the date of the meal, and the business reason are required for reimbursement.
- m. Every effort will be made to pay vendors timely. As a matter of policy, the Library will take full advantage of all trade credit offered by its vendors.
- n. Bank statements are reconciled to the General Ledger monthly.
- o. Separate files are maintained for each bank account and each vendor. Files are kept separately for each fiscal year.

- p. Capital assets are recorded at cost. Assets, other than books and reference materials, with acquisition costs of \$3,000 or more are capitalized. Books and reference materials are capitalized regardless of the amount. Depreciation is computed using the straight-line method over the estimated service lives of the capital assets. Estimated service lives for the Library's capital assets may be found below.
  - i. Books and reference materials 10 years
  - ii. Computer equipment 4 years.
  - iii. Furniture, fixtures and other equipment 4-7 years.
  - iv. Building improvements 15-50 years.
- q. The general ledger's chart of accounts may only be changed with the Executive Director's written approval.

#### 4. Failure to Follow Policies

- a) Failure to follow the Library's accounting policies is a serious matter that could result in discipline, including possible termination. Employees who commit fraud or misappropriate the Library's property will be subject to criminal prosecution.
- b) Employees are strongly encouraged to report to their supervisor, a director or senior director, the Executive Director or a member of the Board of Trustees any knowledge or suspicion of a violation of these policies, particularly if the violation involves fraud or misappropriation of the Library's property. Employees who make such reports will be protected from retaliation pursuant to Sec. 7.5 of the Library's Employee Handbook and Personnel Policies Manual.

#### 5. Division of Duties and Levels of Authority

- a) Board of Trustees ("Board"): The Board governs the Library under the provisions of Cal. Bus & Prof §6300 et seq. in accordance with the Governance Resolution duly adopted by the Board.
- b) Executive Director: The Executive Director is appointed by the Board and serves as the Library's chief executive as well as the Board's Secretary. The Executive Director is authorized by the Board to exercise authority on behalf of the Library in any manner consistent with in accordance with the Governance Resolution duly adopted by the Board.
- c) ~~Senior Director Administrative Services~~ **Director of Finance:**
  - i) In the Executive Director's absence or when a second signature is required, reviews and approves invoices and signs checks and demands for warrants.

- ii) Reviews and approves invoices and reimbursement requests (except for the Senior Director of Finance Director's out-of-pocket expenses) related to the Senior Director's Director of Finance's budget responsibility for final approval by the Executive Director.
- iii) In the Executive Director's absence, authorizes fund transfers between the Library's various bank accounts.
- iv) Reviews and approves bank and account reconciliations, trial balances, and journal entries.
- v) Reviews and approves financial reports.
- d) Senior Director, Information Services:
  - i) Signs checks and demands for warrants when the Executive Director and Director of Finance ~~Senior Director Administrative Services~~ are absent.
  - ii) Reviews and approves invoices and reimbursement requests (except for the Director of Finance's ~~Senior Director's~~ out-of-pocket expenses) related to the Senior Director's budget responsibility for final approval by the Executive Director.
- e) Directors: Review, code, and sign their approval on check requests & purchase approval forms related to their areas of budget responsibility, subject to final approval by the Executive Director.
- f) Finance Manager:
  - i) Reconciles bank statements.
  - ii) Submits payroll data to the ADP payroll system ("ADP") and posts payroll withholding and obligation information to the Library's accounting software.
  - iii) Prepares the payroll fund transfer request each pay period.
  - iv) Maintains and reconciles the general ledger.
  - v) Prepares monthly financial reports for the Director of Finance's ~~Senior Director Administrative Services'~~ review.
  - vi) Reconciles statements of merchant credit card deposits and service charges.
  - vii) Prepares the State sales tax report and tax payment.
  - viii) Implements transfers among the general fund, Investment Pool, and LAIF.
- g) Administrative Technician:
  - i) Processes receipts.
  - ii) Processes accounts receivable monthly.
  - iii) Prepares security deposit refund requests.
  - iv) Maintains revenue logs for copiers/printers and vending machines.

- v) Processes payroll.
- vi) Oversees collection agency transactions and activities.
- vii) Maintains prepaid accounts for participating prisoners.
- h) Administrative Clerk:
  - i) Processes disbursements.
  - ii) Processes accounts payable.
  - iii) Collects daily cash revenue.
  - iv) Mails checks for payments.
  - v) Prepares demands for warrants for invoices of \$10,000 or more.
  - vi) In the Administrative Technician's absence maintains revenue logs for copier/printers and vending machines.
  - vii) Oversees the Petty Cash fund.
  - viii) Prepares the Use Tax filing monthly.
- i) Executive Assistant:
  - i) Receives incoming mail -- including invoices and bank statements -- and distributes it to the appropriate recipients.
  - ii) Maintains the log of the Library's blank check stock. Records the numerical range of blank checks issued to the Finance Manager and the Administrative Clerk.
- j) Mail Room Technician
  - i) Receives and opens incoming mail, including overnight mail.
  - ii) Logs and restrictively endorses checks received.
  - iii) Delivers invoices, bank statements, and other accounting-related mail to the Executive Assistant.
  - iv) Delivers checks to the Administrative Technician.

**6. Computer Systems and Security:** The Library's finance and accounting function includes the following computer systems:

- a) Accounting
  - i) Full access to the accounting computer system is limited to the Executive Director, Finance Manager, the Senior Directors, [Director of Finance](#), and the [Director of Technology Services Manager](#). The Administrative Technician and Administrative Clerk have access only

- to accounts payable and accounts receivable. The Copy Center and Circulation Supervisor, the Library Associate, and the Library Clerk, Circulation have access to accounts receivable.
- ii) The Technology Department performs a full system backup daily and stores the tapes outside the Library's server room.
- b) Payroll: The Library's payroll service provider processes the Library's payroll and compensation withholding.
- i) Access to the Library's payroll service provider is limited to the ~~Senior Director Administrative Services,~~ Director of Finance Finance Manager, and Administrative Technician.
  - ii) The Library relies on payroll service provider's information technology group to maintain secure data integrity and ensure system availability.
- c) Group Benefits: The Library's various group benefits providers include CalPERS, Guardian, and Infinisource. All offer online management and access.
- i) Access to group benefits systems is limited to the Executive Director, Finance Manager, the Senior Directors, the Director of Finance, the ~~Director of~~ Technology Services Manager and the Executive Assistant.
  - ii) The Library relies on its various benefits providers to maintain secure data integrity and ensure system availability.
- d) Collection Management: The Library relies on the ILS as its collection management system including acquisition ordering, payment tracking, serials tracking, cataloging, and circulation management.
- i) In addition to those directly responsible for collection management, the Administrative Technician has access to ILS's circulation module.
  - ii) The Technology Department performs a full system backup daily and stores the tapes outside the Library's server room.
- e) Time Records: Employees record time worked and time away from work on the time management system.
- i) Access to the time management system's database and management modules is limited to the Executive Director, Finance Manager, the Human Resources Manager, the Senior Directors, the Director of Finance, and the ~~Director of~~ Technology Services Manager.
  - ii) The Technology Department performs a full system backup daily and stores the tapes outside the Library's server room.

## **B. Accounting Procedures**

1. **Cash Management:** The Library manages several cash and investment accounts: general, revolving, payroll, borrowers' security deposit, the Los Angeles County Treasurer's investment pool ("Investment Pool"), and the State of California's local agency investment fund ("LAIF").
  - b) The general fund is the Library's primary operating fund. All deposits flow into this fund and disbursements of \$10,000 or more are made from it. The general fund includes two subaccounts with Bank of America:
    - i) A revolving account for payments below \$10,000.
    - ii) A payroll account for staff payroll and withholdings including group benefits, retirement benefits, payroll taxes, and union dues.
  - c) The Los Angeles County Treasurer's investment pool ("Investment Pool") contains surplus library funds not immediately required for operations.
  - d) The State of California's local agency investment fund ("LAIF") also contains surplus library funds not immediately required for operations.
  - e) Security deposits from the Library's borrowers and special members are kept in a segregated deposit fund held and invested by the County Treasurer. The deposit fund's interest income is paid into the Library's general fund. If a borrower's account remains dormant for three years, and efforts to contact the borrower are fruitless, the Library will publish a notice in the Los Angeles Times once a week for two successive weeks after which, if the deposit remains unclaimed after forty-five days, the Library will take the deposit into income.
  - f) The Library's check stock is stored in the onsite vault, access to which is limited to the Executive Director, ~~Senior Director Administrative Services~~, Finance Manager, and Administrative Technician.
  - g) Inter-Fund Transfers:
    - i) Payroll: The Finance Manager verifies the payroll account balance and for each payroll prepares a Fund Transfer Request form ("FTR") signed by the Executive Director to transfer funds from the general account (S11) to the payroll account to fund payroll. The Manager faxes the FTR to the Treasurer and Tax Collector's office. In the absence of the Executive Director, ~~the Senior Director Administrative Services~~ may authorize wire transfers.

- ii) LAIF: At the discretion of the Executive Director and the Board, funds may be transferred into or out of the LAIF. The Finance Manager telephones LAIF to request a transfer and faxes to the County's Treasurer and Tax Collector a deposit information form to deposit the transfer into the General Fund.
- iii) Revolving: The Library's Revolving Fund is established not to exceed \$50,000. When pending disbursements exceed \$30,000, the Administrative Clerk prepares an FTR signed by the Executive Director transferring funds from the general account (S11) to replenish the Revolving Account. The Clerk faxes the FTR to the County Treasurer and Tax Collector's office. In the absence of the Executive Director, the Director of Finance~~Senior Director Administrative Services~~ may authorize wire transfers.
- iv) Security Deposit: When security deposits in the General Fund exceed \$5,000, the Finance Manager transfers the deposits to the Deposit Fund by emailing to the County's Auditor-Controller (with subsequent hand-delivery of the original) a journal voucher request signed by the Executive Director. In the absence of the Executive Director, the Director of Finance~~Senior Director Administrative Services~~ may authorize the transfer.

**2. Investments:** Investment policy is approved by the Board of Trustees and implemented by the Finance Director under the supervision of the Executive Director.

- iv)a) The Library has invested in government bonds pursuant to Board-approved policy. The Finance Manager books earned interest on the bonds and gain or loss in value monthly.
- b) The Library has invested in a California Employers' Retiree Benefit Trust (CERBT) fund pursuant to Board-approved policy. At fiscal year-end, interest earned on the CERBT fund is credited towards Other Post-Employment Benefits obligations.

**2.3. Billing & Accounts Receivable:** The Library sends invoices to registered Library users for such things as membership renewal, overdue fines, book replacement, and document delivery.

- a) Each month the Circulation Department submits to the Administrative Technician pre-bill worksheets documenting overdue fines, book replacement costs, and membership renewal fees.
- b) Each month the Copy Center submits to the Administrative Technician pre-bill worksheets regarding document delivery charges.

- c) The Administrative Technician enters fine, fee, and cost information into the accounting computer system and generates and mails invoices to users, retaining a copy of each invoice for Accounting's records.
- d) The Finance Manager reviews the invoices for accuracy and posts them to the accounting system which simultaneously updates the general ledger and the accounts receivable module.
- e) If payment is not received within 30 days, the Technician sends a reminder to each delinquent user.
- f) If payment is not received within 60 days, and the amount exceeds \$100, the Technician forwards the receivable to an outside agency for collection.
- g) Regardless of the amount due, after 60 days the Library deducts the amount owed from the borrower's security deposit and sends instruction to the Circulation Department to close the account.
- h) Upon the closure of a client's account, the Circulation Department will flag the delinquent and now-closed account for special handling in the event the suspended user attempts to open a subsequent account.
- i) The Finance Manager reviews delinquent accounts receivable quarterly to determine whether accounts over 180 days should be written off as uncollectible.

#### **3.4. Receipts**

- a) Receipts via mail:
  - i) The Mail Room Technician receives incoming mail including overnight delivery; enters cash receipts into a log (noting the department to which the income is attributed); and restrictively endorses all checks.
  - ii) The Aide emails daily a copy of the cash receipts log to the Administrative Technician who reconciles the log against the total payments entered into the accounting system.
- b) Receipts via PayPal:
  - i) Payments made via PayPal are deposited directly into the Library's PayPal account. Daily, the Administrative Technician summarizes PayPal transactions and enters the transactions into patrons' accounting system and ILS accounts.
  - ii) The Library withdraws funds from the PayPal account weekly via check request.
- c) Cash received from circulation and the copy center:

- i) Circulation and copy center staff are responsible for recording cash received in ledgers kept at the Circulation desk and at the Library Technician's desk. "Cash receipts" include cash, checks and credit cards.
  - (1) For each receipt, staff record date, amount of payment, a description of the transaction, and the method of payment. Library users retain the white receipt copy. If payment is by credit card, staff will staple the white copy to the customer's credit card receipt. Staff will attach the pink copy to the cash, check, or merchant's credit card receipt and place the receipts in the blue pouch kept at the Circulation Supervisor's desk or at the Library Technician's desk. The yellow copy will remain in the receipt book.
  - (2) The blue Circulation pouch must have \$75 in currency at all times to make change and break large bills. The blue Copy Center pouch must have \$50 at all times. Daily, the Administrative Clerk will run a tape on the available currency in each pouch to verify the requisite amounts.
  - (3) Both Circulation and Copy Center pouches are placed in the safe deposit box at the end of each day.
  - (4) The safe deposit box is located at Circulation. At the beginning of each work day, the Administrative Clerk retrieves from the safe deposit box the blue pouches containing the cash receipts from the prior day's transactions.
    - (a) In the continuous presence of a circulation staff employee, the Administrative Clerk:
      - (i) Runs a tape on the pink copy receipts.
      - (ii) Runs a tape on the cash, checks and credit card receipts.
      - (iii) Compares the totals and reconciles any differences.
    - (b) The Administrative Clerk submits the reconciled cash receipts batches to the Administrative Technician for posting to the accounting financial system.
- d) Vending Machines
  - i) Weekly, the Administrative Clerk retrieves coins and currency from the vending machines in the reading room and lunchroom.
  - ii) The Administrative Clerk and the Administrative Technician retrieve the vending machine keys from the Finance Manager and, together, retrieve the vending machine cash, count it in the accounting department, and sign the vending machine cash log.
  - iii) The Administrative Technician enters the vending machine receipts into the accounting system.

- iv) Machine Malfunction:
  - (1) Office Supplies: the Copy Center Technician is responsible for handling patrons' claims about supplies items failing to drop to the machine's retrieval tray. The Technician either retrieves the desired material for the patron or reports suspicious claims to a supervisor for resolution.
  - (2) Kitchen Vending Machines: the Mailroom Technician is responsible for handling employees' claims that a vending product failed to drop to the machine's retrieval tray. The Technician retrieves the desired material for the employee.
- e) Branch locations cash from copier use:
  - i) During the course of each week, branch assistants record the use of the copier by-pass keys and email to the Administrative Technician the number of copies made in by-pass mode. The Administrative Technician will use this information to reconcile any discrepancies on the branch copier log.
  - ii) At each branch, the help desk assistant records the copier meter readings, retrieves coins and currency from the locking coin box, resets the meter, replenishes the coin reservoir, closes and locks the coin machine, and turns the copier back on.
  - iii) Upon return to the main branch, the help desk assistant counts the contents of the drop bags, enters into the branch copier log the cash total and ending meter reading for each branch. The Administrative Technician verifies the drop bag totals and reconciles any discrepancies.
- f) Receipts Posting:
  - i) Where cash receipts are related to an invoice, the Administrative Technician retrieves the invoice information from the accounting system, verifies the invoice number and the patron's name, and writes the invoice number on the check.
  - ii) The Administrative Technician records all payments in batch and then posts the batch to the database.
  - iii) After posting, the Administrative Technician prints the report for each batch, bundles the batches, and secures them in the vault for subsequent deposit.
  - iv) Where receipts are unrelated to an invoice, the Finance Manager codes the payments, and entrusts them to the Administrative Technician for posting and safekeeping in the vault.
- g) Bank Deposit:

- i) Each Tuesday, or the next banking day if Tuesday falls on a holiday, the Administrative Technician retrieves and totals the batches and requests by email a deposit permit from the County Treasurer listing the amount of cash and checks to be deposited.
- ii) Upon receipt of the deposit permit, the Technician places the permit and batches in a pouch for hand delivery to the bank by the Mail Room Technician.
- iii) After depositing the receipts, the Mail Room Technician delivers the bank deposit receipt to the Administrative Technician for attachment to the cash receipts journal reports.
- iv) The Technician files the cash receipts journal reports and deposit receipt for bank statement reconciliation purposes.
- v) If for some reason the Mail Room Technician cannot make the deposit on the day it is prepared, the deposit will be kept locked in the vault until it is deposited the next banking day.

#### **4.5. Purchasing and Accounts Payable**

- a) Library funds, equipment, supplies (including printed stationery), titles, and staff time must only be used for authorized Library business.
- b) Library employees charged with responsibility for purchasing should exercise best practices to minimize the Library's costs and maximize value, including use of federal, state, or local discounts available to governmental entities, online comparison shopping, use of online discount vendors, e.g., Amazon, eBay, Costco, Wal-Mart, etc., competitive bidding, price negotiation, and economic order quantity purchasing.
- c) Library purchases are segregated into two categories: collection acquisition and other purchases.
- d) Collection Acquisition:
  - i) Reference librarians select new titles for purchase and ask the Senior Librarian Serials & Acquisitions to confirm the purchase price and verify that the order would not duplicate other titles in the collection. If appropriate, the Senior Librarian enters the request into the acquisition spreadsheet.
  - ii) The Reference & Research Director reviews the acquisition spreadsheet and approves acceptable acquisitions.
  - iii) Where a contract or subscription is involved, the Director of Research and Reference requests the Executive Director's approval.

Upon approval, the Senior Librarian Serials & Acquisitions assigns a general ledger code to the purchase request and the Library Technician prepares and sends to the vendor a purchase order.

- iv) invoices for collection materials – including new and recurring acquisitions – are received, Serials and Acquisitions staff verify in the integrated library system database (ILS) that incoming materials have been approved for addition to the collection, note in the ILS that the material has been received, indicate on material invoices whether California sales and use tax should be assessed, initial the invoice, and forward it to Accounts Payable for payment.
  
- e) Other Purchases: All other purchases are approved by departmental directors and managers as follows:
  - i) Where payment is by check:
    - (1) Recurring and budgeted invoices and check requests are coded and approved by the directors and managers responsible for the relevant General Ledger account and sent to Accounts Payable for check processing.
    - (2) Non-recurring or unbudgeted invoices and check requests are approved by the Executive Director after the General Ledger account manager has reviewed and coded the invoice or check request/disbursement approval form.
    - (3) The Executive Director reviews and signs all checks. The Senior Directors or Director of Finance also sign when amounts exceed \$2,500 or in the Executive Director's absence.
  - ii) Where payment is by credit card or e-payable system:
    - (1) Recurring and budgeted invoices and purchase approval forms are coded and approved by the directors and managers responsible for the relevant General Ledger account ~~and sent to the appropriate credit card holder for payment.~~
    - (2) Non-recurring or unbudgeted invoices and purchase approval forms are approved by the Executive Director after the General Ledger account manager has approved and coded the check request/disbursement approval form.
  
- f) The Accounts Payable department matches the disbursement backup to the appropriate credit card company or e-payable invoice, and processes a check for payment. The Executive Director and Senior Directors are assigned credit cards for the payment of goods and services related to the Library's operations. The executive director may assign credit cards or virtual credit cards

under the e-payable system to the Finance Director or Facilities Manager with a specified limit not to exceed \$1,000. The card may only be used for purchases related to Library business (see §A(3)(i) above). The Library is responsible for all charges on the cards except those clearly unrelated to the Library's business.

- g) Library credit card purchases are subject to the same rules, authorization limits, and approvals as other purchases (See §B(4)(a) and (b) above).

## **5.6. Travel & Meals**

- a) Authorized Expenses: The Executive Director authorizes reimbursement for travel and meals. Employees should seek approval in advance using the Travel Approval form found on the intranet. Failure to do so may result in a denial of the employee's request for reimbursement.
- b) Examples of expenses that the Library will not reimburse include, but are not limited to:
  - i) The personal portion of any trip;
  - ii) Personal political or charitable contributions or events;
  - iii) Family expenses, including a partner's expenses when accompanying an employee on the Library's business, as well as children- or pet-related expenses;
  - iv) Entertainment expenses, including theater, movies (either in-room or at the theater), sporting events (including gym, massage and/or golf related expenses), or cultural events;
  - v) Non-mileage personal automobile expenses, including repairs, traffic citations, insurance or gasoline; and
  - vi) Personal losses incurred while on Library business.
- c) Questions regarding the propriety of a particular expense should be resolved in consultation with the Executive Director before the expense is incurred.
- d) Cost Control: To conserve Library resources, employees should book their travel through the Executive Assistant who generally will follow the guidelines found below.
- e) Should travel expenses exceed the guidelines, the cost borne or reimbursed by the Library will be limited to amounts that fall within the guidelines.
- f) Airfare: Airfare is arranged by the Executive Assistant using the lower of special government discounts available to the Library or rates available on internet travel sites.
- g) Lodging: Lodging is arranged by the Executive Assistant.

- h) Conferences / Meetings: Lodging in connection with a conference must not exceed the group rate published by the conference sponsor for the meeting in question if such rates are available at the time of booking.
- i) Car Rental: Employees should only rent a car when that is the least expensive alternative. Although employees should seek the lowest practical rental rates, rates that are less than or equal to those available through STAMMP are acceptable.
- j) Taxis / Shuttles: Taxis or shuttles fares may be reimbursed, including a 15 percent gratuity per fare, when the costs of such fares is equal or less than the cost of car rentals, gasoline, and parking combined, or when such transportation is necessary for time-efficiency.
- k) Meals: Reimbursable meal expenses and associated gratuities will be reimbursed at cost but should not exceed the maximum meal reimbursement rates in IRS Publication 1542. The names of persons present, date, and the business reason are required for reimbursement.
- l) Alcoholic Beverages: The Library will not pay for alcohol or mini bar expenses.
- m) Airport Parking: The Library will reimburse for airport parking if that is the least costly alternative. Long-term parking should be used.
- n) Baggage: Handling fees of up to \$1 per bag and gratuities of up to 15 percent will be reimbursed.
- o) Cash Advance: The Library does not make travel cash advances except in special cases with the Executive Director's approval.
- p) Payment and Reimbursement: Airfare and Hotel costs are charged to the Library's American Express Business Travel Account ("BTA"). Conferences, Seminars, and Conventions: The Executive Director approves requests to attend professional conferences, seminars, and conventions and determines the amount of the Library's contribution toward the total cost. Employees may be asked to either pay some of the travel cost or seek an outside grant to offset some of the cost.

**6.7. Reimbursable Expenses:** Employees request reimbursement for out-of-pocket expenses by submitting a reimbursement form found on the Library's Intranet.

- a) Requests should comply with the Library's policies relating to reimbursable expenses. Penalties for violating the Library's policies and misusing public resources include loss of reimbursement privileges, restitution, civil and criminal penalties, additional income tax liability, and possible discipline up to and including suspension and termination.

- b) Expense reports must document that expenses meet the requirements of these policies.
- c) With the exception of mileage reimbursement which is approved by employees' supervisors, employees should submit expense reimbursement requests to the Executive Director for approval as soon as possible but not more than three business days after the end of the month in which the expense was incurred, accompanied by receipts documenting each expense. Original receipts, such as hotel statements, restaurant checks, etc., in addition to any credit card receipts, are required for reimbursement. The Library will not reimburse expenses without adequate documentation.
- d) Automobile mileage:
  - i) Is reimbursed at Internal Revenue Service rates presently in effect ([www.irs.gov](http://www.irs.gov)) for work-related travel as required by the employee's supervisor. For 2013~~4~~, the rate is 56.5 cents per mile. These rates are designed to compensate the driver for gasoline, insurance, maintenance, and other expenses associated with operating the vehicle. This mileage rate does not include bridge and road tolls, which are also reimbursable. The Internal Revenue Service rates will not be paid for rental vehicles; only receipted fuel expenses for rental cars will be reimbursed. Commute travel will not be reimbursed. Commute travel is defined as between home and any destination within the Los Angeles metropolitan area including the main library and branch or partnership libraries on the days employees are scheduled to work. For example travel from:
    - (1) Home to a branch or partnership library is not reimbursable.
    - (2) The main library to a branch or partnership library is reimbursable.
    - (3) Home to a meeting in Costa Mesa is reimbursable.
    - ~~(3)~~(4) Home to a meeting at the main library and back home on a day other than when the employee is scheduled to work is reimbursable.
  - ii) Except where it would be impractical to do so because of road closures, accidents, excessive congestion, etc., employees should use the shortest distance according to Google maps to determine mileage amounts and attach a printout from Google as documentation.
  - iii) Supervisors approve mileage reimbursement requests in accordance with the Library's policy.

## **7.8.Accounts Payable**

- a) When an invoice approved for payment is received by the Accounts Payable Department, the Administrative Clerk enters the invoice data into the accounting system's purchase journal and, after final review by the Finance Manager, posts the invoices to the purchase journal.
- b) Payment Journal:
  - i) The Administrative Clerk transfers invoice batches to the payment journal where the invoices are segregated according to amount.
  - ii) For invoices under \$10,000, the Clerk prints the checks, posts the payments to the accounting system, matches the checks to the invoice copies, and delivers the batches to the Executive Assistant to obtain signatures. After the checks have been signed, the Clerk mails them.
  - iii) For invoices of \$10,000 or more the Clerk prepares a warrant demand letter, matches the invoices to the letter, and delivers the batch to the Executive Assistant to obtain requisite signatures. Once the letter is signed, the Clerk holds the batch for the Mail Room Technician's weekly delivery to the County Treasurer. The Mail Room Technician returns one copy of the demand letter to the Administrative Clerk, date-stamped by the County Treasurer. Typically within three business days, the County Treasurer notifies the Administrative Clerk about the availability of the warrants whereupon the Clerk dispatches the Mail Room Technician to retrieve them. Upon receiving the warrants, the Administrative Clerk posts the payments to the accounting system and mails the warrants.
  - iv) To write checks, the Finance Manager or Administrative Clerk obtains blank checks from the Executive Assistant who retrieves the checks and check log from the locked vault and logs the beginning and ending check numbers, the date, and the name of the person requesting the checks.
  - v) The invoice copies and accompanying documents are kept with the Administrative Clerk until the Clerk processes the use tax report following the end of each month. After filing the use tax report, the Clerk delivers the collection-related payment documentation to the Library Clerk for filing. The Administrative Clerk files the remaining invoices in the accounting office.
- c) Check and Warrant Signers: Signers should verify the date on the check and warrant, that the payee and amount on the documentation match the check or warrant, that the payment was properly approved, and that the expenditure seems reasonable and necessary.

- d) Bank of America's Positive Pay: The Library uses Bank of America's Positive Pay service to minimize the risk of fraud for checks under \$10,000. (Payments of \$10,000 or more are processed through the County Treasurer and receive a higher level of scrutiny (see Sec. 12(c)(iii)). When a payee presents a check to the bank for payment, the bank verifies the check number, payee, and dollar amount against a control list that the Administrative Clerk provides. If everything verifies, the bank will pay the check. Otherwise, the Bank alerts us by email about the discrepancy.
- i) The Finance Manager (or, in his or her absence, the ~~Senior Director~~ [Administrative Services of Finance](#)) verifies that the Bank's control list of checks imported into its system agrees with the control list of checks we sent and investigates and reconciles any differences. The Finance Manager will initial and retain the control list reconciliations.
- ii) When an unlisted check is presented for payment, the Bank emails a request for direction. Either the Finance Manger or the Administrative Clerk investigates the discrepancy and directs the Bank's to take action through the Bank's online positive pay system. The Executive Director or ~~Senior Director~~ [Administrative Services of Finance](#) approves the directive.

#### **8.9. Bank Statements**

- a) The Finance Manager reconciles the bank statements monthly for all Library accounts including the general fund, borrower's deposits, payroll, and revolving funds.
- b) Following the end of each month, the Manager receives, via email from the County Treasurer, bank statements for the general account and deposits account. The Manager receives via U.S. Post the statements for the payroll account and revolving account.
- c) The Manager gathers requisite bank documents including deposit slips, wire transfers, check registers, etc., and posts general ledger journal entries and adjusting journal entries to account for any unposted transactions.
- d) The Manager runs the accounting system's reconciliation module and compares the general ledger against the various bank statements, reconciling all differences.
- e) As part of the reconciliation process, the Manager:

- i) Compares the dates and amounts of deposits as shown on the bank statements with the cash receipts journal.
- ii) Compares inter-organization bank transfers to be certain that both sides of transactions have been recorded.
- iii) Investigates items rejected by the bank, i.e., returned checks or deposits.
- iv) Compares wire transfers dates received with dates sent.
- v) Compares canceled checks with the disbursement journal as to check number, payee and amount.
- vi) Accounts for the sequence of checks both from one month to the next and within a month.
- vii) Examines canceled checks for authorized signatures, irregular endorsements, and alterations.
- viii) Reviews and properly destroys void checks.
- ix) Investigates and writes off checks which have been outstanding for more than 180 days.
- f) The Manager submits reconciliation documents for each account to the Director of Finance~~Senior Director~~ for approval.
- g) The Manager files the reconciliation documents for future reference.

#### 9.10. Payroll

- a) Library employees are paid every two weeks through the payroll service ADP which processes employee payroll and withholds and pays out federal and state taxes and garnishments.
- b) The Executive Director determines employee salaries and salary changes. Whenever there is a pay change, HR prepares and delivers to Payroll a change notice form signed by the Executive Director and kept in employees' personnel files.
- c) The Executive Assistant is responsible for entering personnel changes in the Abra HR database including hires, rehires, leaves of absence, terminations, promotions, demotions, new titles, department transfers, dependent additions and deletions, marital status, benefit enrollment, benefit rate changes, address changes, beneficiary designations, etc. HR provides a copy of the change source document to the Administrative Technician to proof the Abra data and make necessary changes.
- d) Employees are required to submit time records daily using the EmpowerTime online time record system. Supervisors review and approve their employees' time records and requests for time

off. If a supervisor is away or otherwise unable to approve time records, the supervisor's immediate superior will do so.

- e) On the Wednesday before each payday, the Technician uploads the hours and benefits accrual information from Empower into ADP. After validating the upload, the Technician generates the "employee change report," the "coded earnings by employee report for full time employees," and the "pay data summary report for part time employees (main location and branches)" and submits them to the Finance Manager for approval.
- f) The Finance Manager creates a payroll data file in ADP, reviews a preliminary payroll register, and instructs ADP to process payment to employees via automatic deposit.
- g) After ADP has processed the payroll, the Manager reviews the final payroll register for accuracy, completeness, and reasonableness and files it in the Manager's office.
- h) At the beginning of each pay period, the Manager prepares a funds transfer request form ("FTR") for the Executive Director's signature, faxes the FTR to the County Treasurer's office to fund current payroll and messengers the original and a copy to the Treasurer's office which date stamps the copy for the Library's records.
- i) Following each pay period, the Manager generates from ADP's general ledger interface the retirement contribution report and §457 plan report and compares that information to the My CalPERS reports to ensure all transactions are accurate, complete and reasonable. The Manager submits the reports to the ~~Director of Finance~~ Senior Director who, after approving the payments, forwards the check request to Accounts Payable for payment.
- j) The Manager prepares a check request based on the amounts provided by ADP to transfer to the SEIU union dues withheld from employees.
- k) When employees terminate employment or cash out their unused vacation, the department issues a manual check for unpaid salary and other payroll obligations. Accounts Payable pays group benefits insurance withholdings each month to the relevant provider.
- l) The manager reports each month to the California Labor and Workforce Development Agency the Library's employee headcount based on the payroll journal.

#### ~~10.11.~~ 11. Petty Cash Fund

- a) The petty cash fund is an impress account of \$375 entrusted to the custody of the Administrative Clerk.

- b) Employees at the director level or above are allowed to use petty cash. They are required to complete and sign a petty cash voucher and provide all receipts.
- c) When the fund falls to around \$50, the Finance Manager prepares a check request to replenish the account to its maximum. The Manager will attach a copy of the petty cash log detailing all withdrawals and assigning appropriate general ledger codes. The check request will be handled in the same manner as any accounts payable transaction.
- d) The petty cash box is kept in the vault and is locked at the end of each day.
- e) At least once annually, the Finance Manager will conduct a surprise review of the fund. The Manager should count the monies on hand and the total amount of receipts in the petty cash box and resolve discrepancies immediately.

#### **11,12. Month-End Close**

- a) The Finance Manager prepares journal entries (JEs) for the preparation of financial statements and bank account reconciliation and submits them ~~to the Director of Finance~~ ~~to the Senior Director Administrative Services~~ for review. Typically, JEs include court fee revenue, interest earned on cash reserves and members' deposits, bank and merchant fee expenses, inter-fund transfers, account mispostings, depreciation expenses for books and fixed assets, and pre-paid expense amortization.
- b) The Finance Manger generates in the Accounting System a detailed trial balance; updates the depreciation schedules for library materials and other capitalized assets; updates the prepaid expense schedule; accrues and expenses the liabilities for vacation and sick leave; and prepares month-end financial reports.
- c) The Finance Manager files the month-end close work papers in the appropriate files for retention in the Manager's office for two years after which they are removed to the 1st level storage until destruction after seven years.

#### **12,13. Monthly Reports**

- a) The Finance Manager prepares monthly financial reports for distribution to the Executive Director and the Board of Trustees. The report package includes a balance sheet, a statement of income and expenses, a statement of cash flows, and a list of checks and warrants. The Finance Manager also prepares a budget-to-actual variance report for the Executive Director's review.

- b) The monthly statements are reviewed by the ~~Senior Director~~ Director of Finance prior to distribution to the Executive Director. After the Executive Director's approval, the Executive Assistant emails the reports to the Board as part of the monthly Board meeting agenda.
- c) There is a one-month delay in the distribution of monthly financial statements to allow the accounting staff and all managers and directors with budget responsibility adequate time to prepare complete and meaningful reports, e.g., the results for July financial results are reported to the Board in September.

#### 13.14. Annual Close

- a) In addition to the Month-End Close procedures described above the annual close requires additional steps in the accounting system to close the income statement accounts and transfer the account balances to the balance sheet.
- b) Immediately after the Annual Close, the Technology Department performs a full backup of the Accounting System for possible future retrieval.

#### 14.15. Budget

- a) Each year in advance of the next fiscal year, the Executive Director submits a budget report to Board of Trustees for its review, comment, and approval.
- b) The budget is prepared through the combined efforts of the Executive Director and the Library's directors and managers using budget worksheets and detailed expense reports generated by the Finance Manager.
- c) The Board may assign a subset of its members to work with the Executive Director to forge a final draft budget for submission to the full Board.
- d) Upon Board approval of the budget, the Finance Manager enters the budget amounts into the budget spreadsheets, posts the final budget on the Library's intranet, and distributes copies to the Library's directors and managers.

#### 15.16. Annual Financial Audit

- a) Near the end of each fiscal year, the Executive Director engages the Library's outside auditor.
- b) After fiscal year-end the Finance Manager and Director of Finance ~~Senior Director~~ work with the Library's auditor to conduct an audit of the Library's financial records and transactions and prepare an annual audit report.

- c) Upon receipt of the auditors' a list of schedules and worksheets to be provided by client ("PBC"), the Finance Manager and accounting staff prepare the PBC schedules within the time limits prescribed by the audit project plan.
- d) The outside auditor prepares the year-end audit report summarizing the prior fiscal year's financial results and meets with the Board to discuss its report and findings.
- e) Every five years, the Board considers whether to replace the auditor.

**16.17. GASB 45 Report:** Every three years, the Board engages the services of an outside actuarial firm to quantify the Library's liability pursuant to GASB 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The Finance Manager will provide information, documentation, calculations, and other information required by the actuarial firm in connection with its report.

**17.18. Fixed Assets and Inventory:** The Accounting Department maintains fixed asset and library material depreciation schedules incorporating a description of the item; the in-service date; total acquisition cost (including all fees, taxes, surcharges, delivery, installation, implementation, documentation, etc. costs to place the asset in service), the useful life, and monthly depreciation expense. The Finance Manager updates the schedules monthly to reflect additions, deletions, and depreciation expense.

- a) Fixed assets:
  - i) When the Library processes payment for the acquisition of a fixed asset, the Finance Manager scrutinizes accounts payable records monthly to determine whether the prior month's acquisitions qualify as capital expenditures and confirm the projected useful life and in-service date. In many cases, the Finance Manager contacts the Library employee to make a proper determination. In some cases, the Manager may consult with experts such as architects, engineers, contractors, manufacturers, and maintenance companies to determine the reasonable useful life of specific assets in accordance with GASB standards.
  - ii) The Manager enters a general journal entry to book the acquisition to Assets.
  - iii) The Manager enters the acquisition into the depreciation schedule. The Manager assumes a mid-month convention when determining the date assets are placed into service.

- b) **Library Materials:** As part of the closing procedures each month, the Finance Manager transfers library acquisition amounts from the income statement to the balance sheet and posts the acquisitions in lump sum into the depreciation schedule.
- c) **Inventory:** Every three years beginning in FY 2015, the Finance Manager in conjunction with the Collection Services Supervisor will conduct an inventory of the collection by selecting a random sample of 400 titles (5% margin of error) from the Library's catalog and noting the number of titles missing from the shelves or indefinitely checked out. Based on the results of the sample inventory, the library will adjust its assets and depreciation schedule.
- d) **Write-offs:** When the Library retires an asset prior to its full depreciation, the asset is written off as follows:
  - i) **Library Materials:**
    - (1) When the Director of Reference and Research approves the weeding of materials, a Library Aide withdraws the material from the collection, notes the date of withdrawal on the write-off form and sends the form to the Serials and Acquisitions staff who research the age and price. If the material is less than 10 years old, Serials and Acquisitions staff completes the write-off form and sends it to Accounting to record the write-off.
    - (2) When new material replaces existing material, the Serials and Acquisitions staff researches the age and price of the material. If the material is less than 10 years old, Serials and Acquisitions staff completes a write-off form, sends to a Library Aide to pull the material, note the date of withdrawal on the write-off form, and send the form to Accounting to record the write-off.
  - ii) **Other Assets:** If the Law Library disposes of other assets, the person responsible for the disposal notifies the Accounting staff who will research the age of the item and remaining asset value and record the write-off.

#### **18.19. Grants**

- a) No one shall apply for a grant, accept a grant or sign grant documents on behalf of the Library without the approval of the Executive Director.
- b) When the Library receives a grant, the grant's applicant will forward a copy of the executed grant documents to the Finance Manager.

- c) The Finance Manager will set up a file for the grant and maintain the contract along with any other financial correspondence regarding the grant.
- d) The Finance Manager will review the grant contract and other documents, meet with the grant applicant, and calendar critical dates on which financial or accounting information is required by the grantor.
- e) The Finance Manager will establish account numbers and subsidiary ledgers as required to track grant receipts and expenditures.
- f) The Finance Manager will oversee grant fund expenditures to ensure compliance with the grant contract and any restrictions imposed by the grantor.

#### **19.20. Contracts**

- a) The Executive Assistant maintains a copy in paper and PDF of the Library's contracts, including Library materials contracts, leases, license agreements, insurance policies, consulting agreements, engagement letters, etc.
- b) The Executive Director, Senior Directors, [Director of Finance](#), and Finance Manager have access to the PDFs. Others have access to select PDFs on a need to know basis. The Assistant maintains an access list showing those who may access the PDFs and what PDFs they are entitled to view.
- c) The Assistant maintains a shared calendar of contract termination dates and notifies the Executive Director, Senior Directors, [Director of Finance](#), and Finance Manager about calendar modifications.