

Financial Oversight and Audit Cycle Policy

Purpose

The Board of Trustees is responsible for safeguarding the library's financial resources through diligent oversight, transparency, and accountability. Acknowledging that annual independent audits may be financially prohibitive or difficult to obtain, this policy establishes a five-year financial oversight cycle, which balances best practices with the practical considerations faced by libraries in our area. This cycle guarantees the consistent engagement of the Board, allows for periodic external reviews, and is intended to continue indefinitely to prevent lapses in financial oversight beyond the five-year interval.

To promote the sustainability of external reviews, the Board shall establish and maintain a reserve fund specifically dedicated to the costs associated with an independent external audit or an equivalent review, thereby ensuring the availability of adequate resources when required.

This policy is consistent with the 2023 Edition of the Handbook for Library Trustees of New York State and adheres to guidance provided by the Office of the State Comptroller (OSC).

Committee Formation

To facilitate the financial oversight reviews outlined in the Five-Year Financial Oversight Cycle below, the Board of Trustees will establish temporary, ad hoc committees following the structure described below.

Each committee:

- exists only for the duration of the specific review for which it is created;
- includes at least two trustees and the Library Director, unless otherwise specified;
- is responsible for completing the review and producing the deliverables specified for that year;
- disbands automatically after submitting its report to the Board, with no authority beyond the scope of the review unless granted by the Board of Trustees; and
- whenever feasible, committee membership should rotate among trustees from year to year, to ensure that financial oversight responsibilities are shared broadly, to strengthen the Board's collective understanding of the library's financial position, and to reinforce trustees' fiduciary responsibilities.

Five-Year Financial Oversight Cycle

Year 1 – Financial Policy Review (Board-led)

- A temporary Financial Policy Review Committee shall be appointed as described in the Committee Formation section.
- Review all financial policies, including but not limited to:
 - Procurement Policy
 - Investment Policy
 - Credit Card Use Policy
 - Conflict of Interest Policy
 - Whistleblower Policy
 - Reserve Fund Policy
- Compare policies against OSC best practices.
- Ensure policies are legally compliant, practical, and up-to-date.
- **Deliverable:** Committee report with suggested policy updates.

Year 2 – Financial Procedure Review (Board-led)

- A temporary Financial Procedure Review Committee shall be appointed as described in the Committee Formation section.
- Review and test internal financial procedures and controls, such as:
 - Cash handling and deposits
 - Bill payment and procurement practices
 - Payroll and reimbursements
 - Bank reconciliations
 - Treasurer's reports and recordkeeping
 - Segregation of duties
- Review the job descriptions of the Treasurer, Bookkeeper, Financial Officer, and Director to ensure that their duties are clearly defined, properly segregated, and aligned with the library's adopted financial policies and internal controls.
- **Deliverable:** Committee report detailing findings and suggested improvements.

Year 3 – Targeted Risk Review (Board-led or CPA, if feasible)

- A temporary Financial Targeted Risk Review Committee shall be appointed as described in the Committee Formation section.
- Focus on high-risk or high-priority areas, such as:
 - Cash handling
 - Credit card/purchasing card use
 - Procurement and contracts

- Payroll
- If resources permit, the library may hire a Certified Public Accountant (CPA) following the library's procurement policy to conduct an Agreed-Upon Procedures (AUP) Review in these areas.
- **Deliverable:** Written report (board-led or CPA) documenting findings and corrective actions.

Year 4 – Compliance and Transparency Review (Board-led)

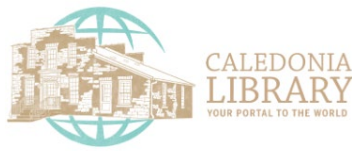
- A temporary Financial Compliance and Transparency Review Committee shall be appointed as described in the Committee Formation section.
- Review annual external reporting requirements and public transparency practices, such as:
 - IRS Form 990 or CHAR500 (if applicable)
 - NYS Annual Report to the State Library
 - Grant and donor reporting requirements
 - Posting budgets, oversight reports, and board minutes for public transparency
- **Deliverable:** Committee report confirming compliance and recommending improvements to transparency.

Year 5 – Independent External Review (Preferred: Audit)

- A temporary Independent External Review Committee shall be appointed as described in the Committee Formation section to collaborate with and support the hired independent auditor.
- The Board shall make a good faith effort, in accordance with their procurement policy, to engage a Certified Public Accountant (CPA) for an independent audit of the library's financial statements.
- If a full audit is not feasible due to cost or availability, acceptable alternatives include:
 - Agreed-Upon Procedures (AUP) Review by a CPA
 - Internal Control Review by a CPA
 - Compilation or Review Engagement conducted by a CPA
- **Deliverable:** Report presented to the full Board of Trustees. The board must formally accept the report and take follow-up action to address findings.

Ongoing Oversight Responsibilities

- Review and approve annual budget
- Monthly review of financial statements and bank reconciliations
- Treasurer's monthly report to the Board
- Ensure proper recordkeeping and documentation of all financial transactions



- Document all oversight activities in board minutes

Flexibility Clause

The Board acknowledges that independent audit and CPA services might be limited or too costly for libraries in our region. It retains the option to customize the external review process (Year 5) to suit local conditions, while upholding the principle of consistent financial oversight.

Policy Review and Adoption

This policy shall be reviewed and reaffirmed by the Board of Trustees each year during the library's annual meeting, along with the appointment of trustees to committee assignments and oversight activities. A comprehensive review and revision of the policy will take place every fifth year, or sooner if needed, to comply with the Minimum Standards of Libraries in New York.

Adopted: 9/30/2025