

Accounting Policies and Procedures Manual

Reading Public Library

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Table of Contents

Accounting Policies and Procedures Manual.....	1
I. Introduction	2
II. Division of Responsibilities	2
Board of Trustees	2
Executive Director	2
Board Treasurer / Finance Committee	2
Administrative Coordinator	3
III. Chart of Accounts and General Ledger	3
IV. Cash Receipts	4
V. Cash Disbursements & Expense Allocations	4
VI. Credit Card Policy and Charges	5
VII. Bank Account Reconciliations	5
VIII. Petty Cash Fund	6
IX. Personnel Records.....	6
X. Payroll Processing	7
XI. End of Month and Fiscal Year-End Close.....	7
XII. Financial Reports	8
XIII. Fiscal Policy Statements	8

I. Introduction

The purpose of this manual is to describe all accounting policies and procedures currently in use at the Reading Public Library and to ensure that the financial statements conform to generally accepted accounting principles; assets are safeguarded; guidelines of grantors and donors are complied with; and finances are managed with accuracy, efficiency, and transparency.

All Reading Public Library staff with a role in the management of fiscal and accounting operations are expected to comply with the policies and procedures in this manual.

These policies will be reviewed annually and revised as needed by the staff and approved by the Executive Director, Finance Committee and the Board of Trustees.

II. Division of Responsibilities

The following is a list of personnel who have fiscal and accounting responsibilities:

Board of Trustees

1. Reviews and approves the annual budget
2. Reviews and approves annual and periodic financial statements and information
3. Reviews Executive Director's performance annually and establishes the salary
4. Three members of the board will be appointed by the board to be authorized signers on the bank accounts
5. Reviews and approves all contracts.
6. Reviews and approves all non-budgeted expenditures over \$5000

Executive Director

1. Reviews all financial reports including cash flow projections
2. Sees that an appropriate budget is developed annually
3. Reviews all contracts and makes recommendations to the Board of Trustees
4. Reviews and approves all grant submissions
5. Reviews and approves all incoming and outgoing invoices
6. Reviews and approves all reimbursements, program expenditures and fund requests
7. Reviews payroll and determines pay increases based on evaluation goals
8. Is on-site signatory for all bank accounts
9. Reviews and signs all issued checks
10. Signs donor acknowledgment letters
11. Opens incoming state, and local government issued checks and bank statements
12. Oversees the adherence to all internal controls

Board Treasurer / Finance Committee

1. Reviews all financial reports including cash flow projections and makes recommendations
2. Assists Executive Director with the development of annual budgets
3. Reviews and signs all issued checks and / or approves check signing procedures
4. Monitors expenses to ensure most effective use of assets

5. Reviews and approves bank statement reconciliations
6. Reviews, revises, and maintains internal accounting controls and procedures

Administrative Coordinator

1. Overall responsibility for data entry into accounting system and integrity of accounting system data
2. Receives all incoming accounting department mail
3. Processes invoices and prepares checks for signature
4. Makes bank deposits
5. Processes payroll
6. Compiles federal, state and local tax reports and processes tax payments
7. Maintains general ledger
8. Prepares monthly and year-end financial reports
9. Reconciles all bank accounts monthly and prepares reconciliation report for Board Treasurer to approve.
10. Mails vendor checks
11. Manages Accounts Receivable and monitors cash flow
12. Submits information to Marketing Assistant to document and prepare donation receipt letters.
13. Responsible for all personnel files
14. Assists Executive Director and Finance Committee with development of annual and program budgets.
15. Manages the petty cash fund for main library
16. Compiles year end wage and tax statements for employees
17. Prepares state, district library and grant expense reports
18. Adheres to internal controls

III. Chart of Accounts and General Ledger

The Reading Public Library has designated a Chart of Accounts specific to its operational needs and the needs of its financial statements. The Chart of Accounts is structured so that financial statements can be shown by natural classification (expense type) as well as by functional classification. The Administrative Coordinator is responsible for maintaining the Chart of Accounts and revising as necessary. The Chart of Accounts is attached to this manual as an addendum.

The general ledger is automated and maintained using our accounting software. All input and balancing is the responsibility of the Administrative Coordinator with final approval by the Executive Director and Board of Trustees.

The Board Treasurer reviews the general ledger on a periodic basis for any unusual transactions.

IV. Cash Receipts

Cash receipts generally arise from:

1. State, County and Local Funds
2. Library Receipts from fines, fees, provided services and merchandise sold
3. Fundraising activities
4. Grants / Endowments
5. Investments

The principal steps in the cash receipts process are:

The Administrative Coordinator receives incoming mail, distributes invoices for approval to appropriate department supervisors, and opens incoming foundation donation checks. The Administrative Coordinator prepares deposits for check scanning through banking software and creates deposit log of scanned checks. Checks are kept in locked file cabinet until monthly bank reconciliation is completed. Upon verification of deposits, check are then shredded. The Administrative Coordinator records the deposits to the respective account allocation into the accounting software. A copy of donor contribution checks is given to the Marketing Administrative Assistant to enter receipts in the donor software program for tracking purposes.

Circulation and Branch Library deposits are prepared by Management and submitted to the Administrative Coordinator with register receipts and processed deposit slips. Each branch has a locking bank bag.

All cash received will be counted, verified, and signed off by Circulation or Branch Manager and another available staff member prior to preparing the deposit. The cash will be kept in a locked, secure location and deposited weekly or more often if necessary.

V. Cash Disbursements & Expense Allocations

Cash disbursements are generally made for:

1. Payments to vendors for goods and services
2. Payroll Taxes
3. Staff training and development
4. Memberships and subscriptions
5. Meeting expenses
6. Employee reimbursements
7. Marketing/promotional materials
8. Programming and Craft Supplies

Checks are processed bi-monthly, the 15th and last business day of the month. Invoices submitted to the Administrative Coordinator two days prior will be processed and paid on those dates. Checks can be prepared manually within one day, but this should be limited to emergency situations.

Requests for cash disbursements are submitted to Accounting in three ways:

1. Original invoice
2. Purchase / Payment request (submitted on approved form)
3. Employee expense report or reimbursement request

All invoices must have the account code written on them and approved by the Department or Branch Manager prior to being submitted to accounting.

Every employee reimbursement or purchase request must be documented with travel authorization, receipts, nature of business, program allocation, and funding source (if applicable) before approving for reimbursement.

The Department or Branch Manager reviews all requests for payment and:

1. Verifies expenditure and amount
2. Approves for payment if in accordance with budget
3. Provides or verifies appropriate allocation information
4. Submits to the Administrative Coordinator for processing

The Administrative Coordinator processes all payments and:

1. Immediately enters them into the Accounts Payable module
2. Prints checks according to allocation and payment date
3. Submits checks, with attached backup documentation, to Executive Director for approval and signature. All checks require two signature from an authorized board or staff member; checks in excess of \$5000 for a single purchase must be authorized by the Board of Trustees
4. Stamps invoice "paid"
5. Mails checks and appropriate backup documentation
6. Files all backup documentation in the appropriate file
7. Compiles monthly report of expenses for Board approval.

VI. Credit Card Policy and Charges

All staff members who are authorized to use an organization credit card will be held personally responsible in the event that any charge is deemed personal or unauthorized. The receipts for all credit card charges will be given to the Administrative Coordinator within one week of the purchase along with proper documentation. The Administrative Coordinator will verify all credit card charges with the monthly statements. The Administrative Coordinator will post all charges with the applicable allocation. A copy of all charges will be attached to the monthly credit card statement when submitted for payment.

VII. Bank Account Reconciliations

1. All bank statements are opened by the Executive Director and reconciled by the

Administrative Coordinator as followed: a comparison of dates and amounts of deposits as shown in the accounting system and on the statement, a comparison of cleared checks with the accounting record including amount, payee and sequential checks numbers, a comparison of EFT payroll and tax liability payments, and finally an investigation of any rejected items.

2. The Administrative Coordinator will verify that voided checks, if returned, are appropriately defaced and filed.
3. The Administrative Coordinator will investigate any checks that are outstanding over six months.
4. The Administrative Coordinator will attach the completed bank reconciliation to the applicable bank statement, along with all documentation.
5. The reconciliation report will be reviewed, approved, dated, and initialed by the Board Treasurer.

VIII. Petty Cash Fund

Petty cash funds are maintained by the organization. The funds are to be used for miscellaneous or unexpected purchases and the same approval procedures apply as mentioned in the cash disbursement section.

1. The petty cash fund will not exceed \$800 and is kept in a locked file cabinet at all times.
2. The Administrative Coordinator oversees the petty cash fund.
3. All disbursements made from petty cash are acknowledged in writing by the receiving party.
4. All money returned to the petty cash fund is counted and verified. Receipts for items purchased with petty cash must be included with the return and should include appropriate account allocations.
5. The Administrative Coordinator will periodically count the cash in the petty cash fund and prepare reports to be approved by the Executive Director.
6. No checks will be cashed by the petty cash fund.

IX. Personnel Records

1. All personnel files contain the following documents: an application and/or resume, date of employment, position and pay rate, authorization of payroll deductions, W-4 withholding authorization, termination data where applicable, state criminal background clearance, FBI fingerprint clearance, child abuse clearance, mandated reporting of child abuse training certificate, a signed acknowledgement of receipt of Employee Handbook, an emergency contact form, and other forms as deemed appropriate by the Executive Director.
2. All employees will fill out an I-9 form and submit the allowable forms of identification to the Administrative Coordinator.
3. All personnel files are to be kept in a secure, locked file cabinet and accessed only by authorized personnel.

X. Payroll Processing

1. Timesheets are to be prepared by all staff on the approved form and submitted semi-monthly in accordance with the posted schedule. Exceptions to the submittal date may occur and will be communicated accordingly.
2. Timesheets are to be kept on a daily basis and completed in ink.
3. Any corrections to timesheets are to be made by making a single line through the error and writing in the correction.
4. Timesheets are to be signed and dated by the employee and the employee's supervisor for submission to the Administrative Coordinator.
5. Any changes to the standing information of the payroll register from the prior period including addition of new employees, deletion of employees, or changes in base pay rate must be accompanied by the appropriate documentation and signed by the Executive Director before the change can be made.
6. The Administrative Coordinator will process payroll in a timely manner and record vacation time, holiday hours, sick time, and any other information deemed necessary to properly reflect time worked.
7. Paychecks will be direct deposited into the employee's designated bank account on the pre-determined, posted scheduled payroll date.
8. Pay Stubs will be submitted to employees electronically the day before and are password protected.
9. The Executive Director will review payroll expenditures and allocations monthly.
10. The Administrative Coordinator will prepare and process bi-monthly federal and state tax payments.
11. All quarterly federal and state payroll reports will be prepared by the Administrative Coordinator and filed appropriately.
12. All W-2 statements are issued to employees prior to January 31st of the following year for the prior calendar year.

XI. End of Month and Fiscal Year-End Close

1. The Executive Director will review and sign off on all month- and year-end journal entries. They will be printed and filed for audit trail purposes.
2. At the end of each month and fiscal year end, the Administrative Coordinator will prepare a report of all income and expenses for the Board of Trustees to review and approve. All balance sheet accounts including verification of the following balances: cash accounts match the bank reconciliations, accounts receivable and payable accounts match outstanding amounts due and owed.
3. The income and expense accounts review will include reconciliation to amounts received and expended and verification that payroll expenses match the payroll reports including federal and state payroll tax filings.
4. Once the final monthly and fiscal year-end financial statements are run, reviewed, and approved by the Board of Trustees, no more entries or adjustments will be made into that month or year's ledgers.

5. At the end of the fiscal year, an outside CPA will prepare the annual audit. The audit draft will be presented to the Board of Trustees for their review and approval. For the Library Foundation account a Return for Organization Exempt from Income Tax (IRS Form 990) will be prepared by the outside CPA. The return will be presented to the Foundation Board of Trustees for approval and the contracted CPA will then file the return with the Internal Revenue Service by the annual deadline.
6. All other appropriate government filings including those required by the state tax board will be completed and filed with the appropriate agency.

XII. Financial Reports

The Administrative Coordinator will prepare the monthly and annual financial reports for distribution to the Executive Director and the Board of Trustees. The reports will include: statement of income and expenses, budget versus actual report for each account which has an established budget, cash flow projection, and any other requested reports.

Periodic and annual financial reports will be submitted to the Finance Committee and Trustees for review and approval.

XIII. Fiscal Policy Statements

1. All cash accounts (except petty cash) owned by the Reading Public Library will be held in financial institutions which are insured by the FDIC. No bank account will carry a balance over the FDIC insured amount.
2. Employee or public personal checks will not be cashed through the petty cash fund.
3. No salary advances will be made under any circumstances.
4. No travel cash advances will be made except under special conditions and pre-approved by the Executive Director.
5. Reimbursements will be paid upon complete expense reporting and approval using the authorized form. Reimbursements exceeding \$100 to the Executive Director will be authorized by the Board Treasurer.
6. Any donated item with a value will be recorded and a letter acknowledging the donation will be sent to the donor within two weeks of the receipt of the donation.
7. All volunteer time shall be recorded as in-kind donations.
8. The Executive Director and one designated Board Officer are the signatories on the Reading Public Library's bank accounts. All disbursements require a second signature by an authorized board officer or Executive Director. Checks over \$5000 for a single purchase require approval from the Board of Trustees.
9. Bank statements will be reconciled monthly and reconciliation reports will be reviewed, approved, dated, and initialed by the Board Treasurer.
10. Correction fluid and/or tape will never be used in preparing timesheets or any accounting documents.
11. Accounting and personnel records will be kept in locked file cabinets in the finance office and only parties with financial and/or HR responsibility will have access to the keys.
12. Financial Statements, Audit Reports and the General Ledger will be retained

permanently. All other financial documents to include payables and receivables, bank statements, deposit slips, expense reports and interim financial statements will be retained for a retention period of seven years and then destroyed as outlined in the RPL Document Retention and Destruction Policy.