



## Illinois Heartland Library System Financial Policy

### Goal:

The goal of this policy is to ensure that Illinois Heartland Library System (IHLS) has internal fiscal controls in place to provide reasonable assurances regarding:

- Effective and efficient operation
- Reliable financial reporting
- Compliance with applicable Illinois state and federal laws and regulations
- Compliance with the Illinois Library System Act: Administrative Rules
- Compliance with the Bylaws and other policies of the Illinois Heartland Library System

### Scope:

#### 1. Financial Format and Reporting

- 1.1. The fiscal year for IHLS shall begin on July 1 and end on June 30.
- 1.2. The funds, accounts, and descriptions of accounts shall be consistent with generally accepted accounting principles and the Uniform Accounting and Reporting Manual for the Illinois Library System Headquarters. The funds shall be brought together per the Governmental Accounting Standards Board Statement No. 34--Basic Financial Statements--Management's Discussion and Analysis--for State and Local Governments (GASB 34). Budgeted versus actual comparisons shall be included in financial reports submitted to the Board of Directors and the Illinois State Library.
- 1.3. The Board of Directors shall adopt and then submit an annual budget prior to the beginning of each fiscal year to the Illinois State Library. The accounting system shall provide the basis for comparison of actual expenditures to this budget. Any revisions to the budget shall be approved by the Board of Directors and reported to the Illinois State Library for approval.
- 1.4. A six-month cumulative report is due to the Illinois State Library on February 15 of each year for the period July 1 through December 31. The format of the report shall be in compliance with the form contained in the Uniform Accounting and Reporting Manual for the Illinois Library System Headquarters.
- 1.5. An annual audit of IHLS for the preceding fiscal year shall be filed with the Illinois State Library on or before September 30 following the end of the fiscal year. The audit shall be conducted in accordance with the most recent Government Auditing Standards.

## 2. Control Environment

- 2.1. Meetings of the Board of Directors shall be held at least nine times a year to review financial reports, approve IHLS bills for payment list, discuss any governance issues, and to be advised of and/or discuss key operational information.
- 2.2. An annual audit (which includes a management letter) for the preceding year shall be conducted by an independent certified public accountant. The Board of Directors shall meet with the independent certified public accountant to discuss the annual audit and any material management findings.
- 2.3. Every employee at IHLS shall have some responsibility to ensure a well functioning financial system. However, responsibility for the financial reporting and controls, as well as ensuring a culture of integrity and ethics shall be delegated to the Executive Director with the oversight of the Illinois Heartland Library System Board of Directors. Responsibility for the day-to-day operation of the finances and internal controls ~~has been~~ is delegated by the Executive Director to the Chief Fiscal Officer with necessary support and assistance from other staff members.
- 2.4. IHLS Financial Procedures and Practices, which provide the day-to-day guidelines for financial reporting and controls (including the assignment of authority and responsibility), shall be developed, and shall be approved by the Illinois Heartland Library System Board of Directors. The Financial Procedures and Practices shall be reviewed annually and updated as necessary.
- 2.5. IHLS shall maintain policies and procedures which include a comprehensive code of conduct, policies addressing good business practices, conflicts of interest, and standards of ethical and moral behavior. IHLS ~~will~~ provides the Illinois State Library with the names of all IHLS Board of Directors members and staff who have filed a Statement of Economic Interest, as required by Section 4A-101 of the Illinois Governmental Ethics Act (5 ILCS 420), within seven days after the deadline for filing.
- 2.6. Any violations or deviations from established policies shall be investigated, documented, and brought to the attention of the Board of Directors.

## 3. Risk Assessment

- 3.1. The IHLS Board of Directors shall periodically review the financial health of IHLS. The Board shall receive assurances of the completeness, accuracy, and validity of the information provided and the systems and processes used to generate such information.
- 3.2. IHLS management ~~will~~ periodically assesses risks from both external and internal sources. Such assessments should include the potential impact of economic conditions, political actions,

financing availability, retention and succession of key employees, and information system security and backup.

3.3. IHLS shall consider the risks associated with misstatements of financial information and shall take steps to mitigate such risk.

#### **4. Control Activities**

4.1. IHLS shall have a process to ensure that appropriate policies and procedures are in place, adhered to, periodically reviewed, and updated.

4.2. Financial practices shall include authority and responsibility for approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties.

4.3. The Board Secretary (or designee) shall be responsible for the retention of IHLS Board of Directors Meeting Agenda, Minutes, and other such Board related documents which must be maintained at IHLS Administrative Headquarters.

4.4. The ~~Business Office~~ IHLS Administrative Headquarters shall be the official repository of all financial and human resource records. This includes financial reports and information; original copies of all contracts, agreements, and memoranda of understanding; fixed asset information; and official employee files and payroll information. Retention and disposal of such records shall be based on the requirements as established by the State of Illinois--Local Records -Act (50 ILCS 205) Commission, and other applicable state and federal rules, regulations, and guidelines.

#### **5. Information and Communications**

5.1. Periodically, information shall be collected from the library industry, political entities, member libraries, and other external sources to ascertain the potential impact on IHLS, the services it provides, its business, and financial reporting.

5.2. Milestones to achieve programmatic and financial goals and objectives shall be monitored and reported to the Board of Directors to ensure that deadlines are met.

5.3. Accurate operational and financial information (including changed policies and procedures) shall be clearly communicated to management and other IHLS employees in a timely manner.

5.4. A process shall be in place to document, analyze, and eliminate operational and financial problems, errors, complaints, and new information which may require a change in operations.

5.5. A process shall be in place for directors, employees, and others to communicate suspected wrongdoing by IHLS or IHLS employees. Such process shall ensure that anyone making such a report is protected from retaliation for making such a report.

#### **6. Monitoring**

- 6.1. The IHLS Board of Directors and employees shall be obligated to communicate to management any known weaknesses in the internal controls of the IHLS.
- 6.2. IHLS employees shall acknowledge that they have read and understand the Employee Handbook which includes IHLS's policies on conduct and ethics.
- 6.3. Reconciliations and other control activities shall be followed as identified in the IHLS Financial Procedures and Practices.
- 6.4. IHLS shall follow-up on any recommendations made by the external auditors.

## 7. Donations

- 7.1. Donations made or intended to be used to support regular Illinois Heartland Library System operations funded in whole or in part by the System Area and Per Capita Grant funds shall be reported to and approved by the Illinois State Library before such donations may be accepted or expended.

## 8. Procurement

- 8.1. Procurement of equipment and services shall comply with Illinois Procurement Code (30 ILCS 500) and the IHLS Procurement of Equipment and Services as identified in the Financial Procedures and Practices. All relationships and dealings with vendors must be based on honesty and fair business practices.
- 8.2. Purchases less than \$2,500 ~~must be~~ are approved by the Executive Director.
- 8.3. Purchases Greater than \$2,500 but Less Than \$5,000
  - 8.3.1 If a purchase of equipment or services (other than professional services) exceeds \$2,500 but is less than \$5,000, at least two competitive price quotations, whenever feasible, shall be obtained. Such price quotations may be obtained by mail, hand delivery, fax or e-mail. The Executive Director must approve all such purchases and is the only employee authorized to execute contracts and/or agreements with respect to such purchases. The Executive Director may delegate this responsibility in his/her absence. After approval, all records and quotations received will be retained according to established record retention policies of the State of Illinois.
- 8.4. Purchases of More Than \$5,000, but Less Than \$20,000
  - 8.4.1 Any purchase by IHLS for services, materials, equipment or supplies, other than professional services, with a value greater than \$5,000 but less than \$20,000 shall be made, whenever feasible, on the basis of three or more competitive quotations. Such price quotations may be obtained by mail, hand delivery, fax or e-mail. The Executive Director must approve all such purchases and is the only employee authorized to

execute contracts and/or agreements with respect to such purchases. The Executive Director may delegate this responsibility in his/her absence. After approval, all records and quotations received will be retained according to established record retention policies of the State of Illinois.

#### 8.5. Purchases of \$20,000 or More

- 8.5.1 All contracts for supplies, materials or work involving an expenditure of \$20,000 or more, other than professional services, shall be awarded to the lowest responsible bidder after due advertisement at least once in a newspaper or newspapers of general circulation within the area of the system not less than 14 days before the bid date.
- 8.5.2 All competitive bids for contracts involving an expenditure of \$20,000 or more must be sealed by the bidder and must be opened by a board member or employee of the system at a public bid opening at which the contents of the bids must be announced. Each bidder must receive at least 3 days notice of the time and place of the bid opening.
- 8.5.3 The IHLS Board of Directors may reject any and all bids and re-advertise. The system shall not be required to accept a bid that does not meet the system's established terms of delivery, quality and serviceability requirements.
- 8.5.4 In case of an emergency when the emergency expenditure is approved by  $\frac{3}{4}$  of the board members, a contract can be let without advertising for bids. When possible, emergency purchases shall be made on the basis of three informal ~~information~~ competitive quotations.
- 8.5.5 In the event purchases are made through a joint purchasing program of the State of Illinois, or other intergovernmental cooperative purchasing activity, which activity awards its purchases on the basis of competitive bids in accordance with the Governmental Joint Purchasing Act (30 ILCS 525), the requirements above are waived.
- 8.5.6 Competitive bidding is not required in the following cases: contracts for the services of individuals possessing a high degree of professional skill when the ability or fitness of the individual plays an important part, contracts for utility services such as water, light or heat, contracts for the use, purchase, delivery, movement or installation of data processing equipment, software or services, telecommunications and interconnect equipment, software or services, contracts for duplicating machines and supplies, contracts for goods or services procured from another governmental agency, purchases of equipment previously owned by some entity other than the district itself, and contracts for the purchase of magazines, books, periodicals, pamphlets and reports are not subject to competitive bidding. ~~salaries and wages of employees; library materials; purchases and contracts for the use, purchase, delivery, movement or installation of automation equipment, software or services and telecommunications equipment-~~

~~software and services; contracts for utility services such as water, light and heat; where services are required for legal counsel, professional engineering and architectural services, provided that procurement of such engineering or architectural services complies with the Local Government Professional Services Selection Act (50 ILCS 510); for artistic skills or for professional services pursuant to a written contract; and maintenance or service contracts for equipment or software where the work will best be performed by the manufacturer or installer, or by the authorized agent for the manufacturer or installer.~~