Unit 10 Library Finances

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The three instances of financial impropriety illustrate the need for better communication between the board of trustees and the library director. As the library is a publicly funded institution in all three states, both are responsible for the proper safeguarding and accounting of all library funds in order to maintain the community's trust. The board is responsible for the operation and funding of a public library (Gertzog, 1994, p.474). Based on established vision and mission statements, the board can discuss the economic climate, tax rates, and funding opportunities to create a strategic plan which includes operating and capital budgets (Gertzog, 1994, pp.475 – 476). Each element or goal the board wants to accomplish is appropriated an estimated cost or line item and, when collected together, becomes the Program Budget for the library. Both the board and the director have an obligation to ensure the library serves the public good. The public good can be defined as allowing one to use an item without affecting the use of the item by the next consumer versus the private good, which can be defined as one consumes an item so that no other consumer can use it. As the director is responsible for day-to-day and long-range monetary concerns, the board may empower the director with the flexibility to take action within the itemized amount set for each proposed action item. Based on a cost-benefit analysis of the item to its value in the public good (Gertzog, 1994), the director may purchase it if it falls within his authority or, if not, obtain board approval.

It appears giving the director the flexibility to take action was the goal in the Indianapolis-Marion County Public Library situation. In an effort to avoid micromanaging the Chief Executive Officer (Director), the board of trustees empowered the CEO with the ability to purchase items on a library credit card for the library, as deemed necessary. This was a good idea, as charges would be directly billed to the library thereby reducing the number of check requests. The Board could have considered taking the policy one step further by requiring the library's Chief Financial Officer balance all library credit card statements to purchase receipts and then audit on a monthly basis to the library's Program Budget. Monitored costs then could be used to provide clearer estimates towards the following year's Program Budget. Additionally, the trustees could consider requiring the CEO adhere to the City of Indianapolis' or Marion County's purchasing guidelines for expenditures. Many municipalities require a three-bid process in writing and commission (or board) approval before fulfilling, typically by municipal check, the purchase of some items, such as computers, or up to a particular dollar amount. Whether the board retains the credit card policy or not, the suggested changes institute checks and balances in the purchasing cycle while providing the CEO flexibility to purchase items within the parameters of the budget. Without adequate documentation and audits of the requests for reimbursement against the budget line item, moneys can be misappropriated.

This holds true for the Orland Hills Public Library District. Providing the treasurer a $500 one-signature authority on checks is only one-half of 1% of the $115,000 budget. Given this treasurer's service to the community, the number of petitions required to be considered for the board (Illinois State Statute Article 30. Trustees (75 ILCS 16/30−20), and his work experience as a financial consultant, this seemed like a reasonable solution. In addition, Illinois State Statutes enable the board of trustees to establish a working cash fund. According to Illinois Local Library Act. Article 4. Trustees (75 ILCS 16/30−95), the fund shall not exceed .2% of the cash value of all taxable property in the district and its sole purpose is to provide moneys to meet the demands for ordinary, necessary, and committed expenditures for library purposes. It is a separate fund and is not considered a library asset. So the treasurer could access this fund separate from the rest of the library's operating and capital funds. However consideration could have been given to research the one-signature policy against other libraries serving municipalities of similar population and tax revenues. It is possible that the research could have found that, in similar libraries, a $500 check required two signatures without board approval, or perhaps any check over $250 required board approval. However trust-worthy the treasurer, the board could consider setting parameters such as receipts for purchases that can be audited to the budget's itemized expenditures.

Lastly, the Idaho case reiterates the need for checks and balances within a budget policy as well as within library administration. The State of Idaho encourages the Program Budgeting process in Title 33 Education Chapter 27 Public Library Districts 33-2725; each library must prepare the upcoming fiscal year's budget and hold a public hearing about the proposed budget and a review of the previous year's budget for public comparison. State Statue Title 67 State Government and State Affairs Chapter 4 Legislature 67-450b requires all local government entities to conduct independent audits, depending on the entity's operating budget, at a maximum yearly for $250,000 plus budget to a minimum no requirement for $50,000 operating budget. However, if a library received federal assistance, then Federal Accounting requirements are applicable. At a minimum, the board of trustees files a yearly operations report with the Library Board of Commission per Idaho State Statues. The news article is silent on the amount of discrepancy, but by following state statutes and preparing a Program Budget with funds clearly assigned to certain goals it appears the board may have been able to audit the library's budget and avert prolonged abuse.

In addition to being responsible for the funding of a library, the board is responsible to establish policies for the administration, operation and use, create job descriptions, personnel policies, and compensation packages for library personnel a per Idaho Statute Title 33 Education Chapter 27 Public Library Districts 33-2720. Powers and Duties of the Board of Trustees.

Employment of a minor is clearly defined in Idaho law under Title 44 Labor Chapter 13 Child Labor Law 44-1301. Restrictions on Employment of Children under Fourteen which states that any child under 14-years old may not work in any mine, factory, workshop, mercantile establishment, store, telegraph or telephone office, laundry, restaurant, hotel, apartment house, or in the distribution or transmission of merchandise or messages. Although it is unlawful to have a minor working during school hours or before 6:00 am or after 9:00 pm, children over the age of 12 years may work for at any of the above-mentioned venues during school vacations of two weeks or more. The law is not clear if library work is allowed. If libraries are approved employers, Chapter 13 Child Labor Law 44-1303. Employers to Keep Record of Minor Employees statute requires libraries retain records of everyone employed over 14 and under 16, but is silent if it should be applied to under 14 year olds. Regardless, Labor Chapter 13 Child Labor Law 44-1304. Working hours for Children Under Sixteen prohibits a minor working more than fifty-four (54) hours in any one week and no more than nine (9) hours in any one day. Although boards are responsible to establish personnel and administration policies, many allow the director to make personnel decisions without board interference. Further investigation into the allegation is required to determine if the director employed a 13 year old. If there is a violation of any of the Child Labor Laws, the board and the director are both liable even if the board may never have known of the situation. As part of the library's Program Budgeting process under Title 33 Education Chapter 27 Public Library Districts 33-2725 and strategic plan, board discussions about the library's goals and needs, with director input, could have brought to light employment gaps and possible solutions that could have averted this situation completely.

All three cases are situations resulting when well-meaning actions are not questioned and when personal issues cloud one's vision. The library board of trustees and the director are obligated to show fiscal responsibility with the stakeholders' (the public, the state, granting institutions, and foundations) money by investing it in such a way that the results meet the community's needs (Gertzog, p. 499). Regularly scheduled audits by either the municipality's or an outside accounting firm can highlight discrepancies in relation to the goals and visions of the board. Checks and balances promote a healthy institution and enable planning for the future. Preparing an itemized statement of what transpired the previous year and how those costs will or will not change for the following year, based on the board's needs and goals, is a key process in developing a Program Budget. The Program Budget becomes the vehicle that will promote dialogue and will reinforce the library's value within the community. By including an auditor's expense in the budget, the board has planned for the maintenance of the public's trust and funds. The library's strategic plan could also include a guideline to reassess the budget every three to five years. A library's financial survival depends on fulfilling its mission to serve the public good.

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