



June 28, 2022

To The Finance Committee  
of the Board of Directors  
Ogden Farmers' Library  
269 Ogden Center Road  
Spencerport, NY 14559

Dear Committee Members:

In addition to the required communications that we included in a separate letter, we have some observations about financial trends and recommendations for improvements.

### **Trends**

Significant trends that we noted include:

- Based on review of payroll and the personnel manual, accrued payroll and vacation were recorded for 2020 and 2021.
- Insurance expense decreased due to changes with workers' compensation in regards to how they treated employees with exposure to cleaning supplies. There was a refund in 2021 for the overcharge in 2020.

### **Control Deficiencies**

The following are not considered significant deficiencies or material weaknesses.

- You should separate the duties for receiving contributions and sending out thank you letters. When the same person performs both of these duties it provides the potential for a missing cash receipt to go unidentified. If separation of duties is not feasible, we suggest publishing a list of donors annually as a control over receipt of donations. This is a way of making sure all receipts are properly recognized. Donors who do not appear on the list would likely report the discrepancy. Such discrepancies should then be investigated by someone independent of the receipt and accounting process.
- All checks should be stamped "for deposit only" as soon as they are received and stored in a safe place prior to deposit. This will reduce the possibility that a misplaced or stolen check could be cashed.

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## Compliance

- You should communicate the whistleblower policy with employees at least annually. Communications from employees have been identified as the most effective internal control by the American Institute of CPAs and by the Association of Certified Fraud Examiners, so you should encourage these communications.
- Employee contributions to the IRA should be made as timely as possible. The Department of Labor aggressively imposes penalties when amounts withheld for retirement plans are not deposited "as soon as administratively possible". This is generally interpreted to mean within a few days of being withheld from payroll, and in no event later than the 15th day of the month following the month when amounts were withheld. We understand that the timeliness has improved in 2022.

## Recordkeeping and Other Matters

- There are a few old outstanding checks and deposits from your checking account that should be resolved. Some, or all of the outstanding checks may be required to be remitted to New York State under the unclaimed funds law. You should review all older reconciling items on your bank reconciliation, to determine if corrections need to be made, if checks should be re-issued to the payees, or amounts should be remitted to New York State.

## Policies and Documentation

- We encourage you to put in place the following policies:
  - \* You should have a policy regarding board designations on net assets. This policy should be documented. Furthermore, any such designations should be documented in board meeting minutes.
  - \* In general, the use of credit cards has been identified as an area for many organizations where there is often inadequate documentation and occasional abuse. We recommend creating a policy for using the card as well as consequences for inappropriate purchases.
  - \* You should have written IT security procedures that documents your computer backup, security and anti-virus/malware procedures.
  - \* To ensure consistency of accounting treatment and simplify recordkeeping, you should have a formal policy for capitalizing fixed assets. For example, items that will last for more than two years and have a cost of more than \$1,000 should be capitalized and amounts under either of those limits should be expensed when they are put in service.
  - \* You should have an accounting procedures manual that documents recordkeeping and internal control procedures, as well as reporting. Your manual should include documentation for allocating labor and other expenses. Procedures manuals aid in consistent recordkeeping and are a very useful training tool for new employees.

- \* New York State's law for nonprofits requires you to have a written conflict of interest policy for all employees and board members. A conflict of interest policy provides guidance about potential conflicts that may exist between board members, related parties, and the organization. Without guidelines, certain transactions may be viewed as improper. With a policy in place you can carry on appropriate business transactions according to approved practices. It is a best practice to have your conflict of interest statements signed each year. The form 990 asks whether you consistently monitor your conflict of interest policy.
- \* We recommend that you have a disaster recovery planning policy to plan for unexpected events.

### **Information Technology Observation**

- You should update your QuickBooks version. Starting with the 2022 version, QuickBooks is being sold by annual subscription only. They still have a local version as well as QuickBooks Online (which is what QuickBooks prefers to sell). Older local versions, through 2021, presumably will continue to operate as in the past. However, QuickBooks drops a version of the program from its support each year. Intuit will not support products that are over three years old.

Please contact us if you have any questions about this letter or if we can help in any other way.

Sincerely,

Heveron & Company CPAs