

## ***Internal Control Evaluation and Monitoring Plan***

Jennie Stapp, State Librarian of the Montana State Library (MSL) has designated Kris Schmitz, Central Services Manager, as the agency's Internal Control Officer and the Chief Audit Executive (CAE). As Internal Control Officer, Kris Schmitz, in addition to her regular duties, has the responsibility to ensure that:

- The written documentation of the Montana State Library's internal control system over financial reporting is on file and available for review by agency personnel and auditors.
- The Montana State Library's internal control system is evaluated at least annually or more often as conditions warrant.
- The results of audits and recommendations to improve agency internal controls are promptly evaluated by the Montana State Library management and that appropriate measures are implemented on a timely basis.
- All action determined by the Montana State Library management as necessary to correct or otherwise resolve matters and that require additional fiscal support will be addressed by the agency in its budgetary request to the Governor and Legislature.

Kris Schmitz is responsible for communicating the contents of the plan to operational managers and for providing the necessary technical guidance and assistance to implement the plan.

The Montana State Library is committed to maintaining an effective internal control system. The annual review and update of the *Internal Control Evaluation and Monitoring Plan* is an important component of the agency's overall internal control structure.

### **1.1.1 General information**

#### **1.1.1.1 Agency mission**

The Montana State Library is committed to strengthening libraries and information services for all Montanans through leadership, advocacy, and service.

Statutory references (Montana revised statutes):

The Montana State Library Commission is authorized in 22-1-101, Montana Code Annotated (MCA) and further authorized to provide for a publication distribution center 22-1-212, MCA and a natural resource information system 90-15-101, MCA and has statutory authority for the Montana Land Information Act, 90-1-401, MCA.

#### **1.1.1.2 Executive Staff**

Jennie Stapp, State Librarian

Kris Schmitz, Central Services Manager

Sarah McHugh, Director of Statewide Library Resources

Evan Hammer, Digital Information Manager/CIO

### 1.1.1.3 Designated internal control officer

Kris Schmitz, Central Services Manager

### 1.1.1.4 Other internal control contacts/team members, chief fiscal officer, financial services

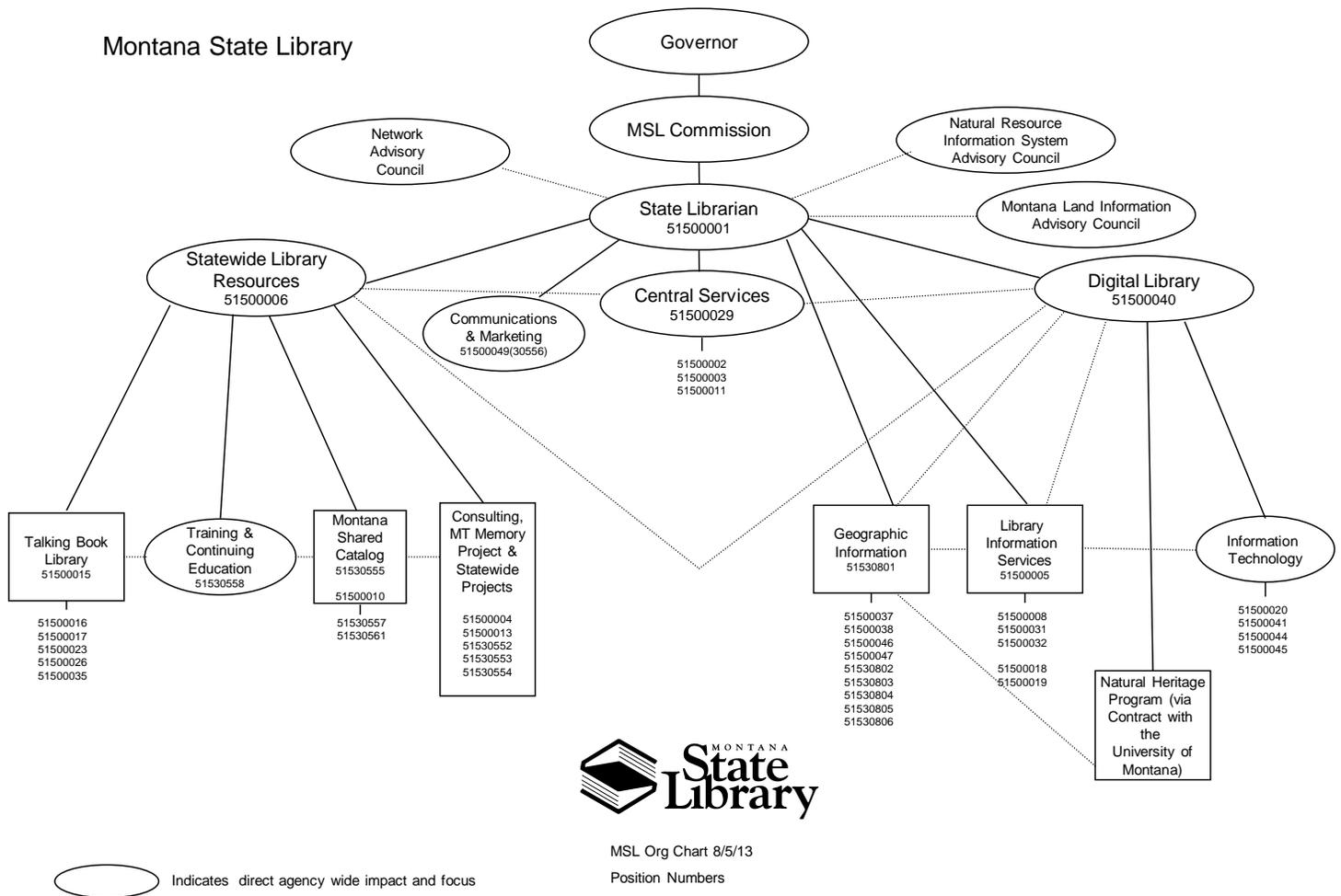
Jennie Stapp, State Librarian

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Evan Hammer, Digital Information Manager/CIO

## 1.1.2 Organization chart



## 1.2 Management's key internal control concepts

### 1.2.1 Concept 1: Risk assessments should be conducted.

**Designated Unit:** In general, the Executive Staff is charged with conducting risk assessment within the Agency.

The Executive Staff (Internal Audit) develops an annual internal audit plan for the Montana State Library based upon the following factors:

- Risk assessments of critical systems
- Reviews of internal, financial, and administrative systems and procedures
- Executive staff's assessment of existing risks
- Past internal audit experience
- Review of the risks inherent with the implementation of new processes

Internal Audit evaluates internal controls by analyzing the control environment, identifying and prioritizing functions and activities most likely to have control problems, and then analyzing the potential risks to determine whether existing controls are sufficient to manage them. Each year two areas of risk will be identified and testing will be done. Depending on the areas of risk identified some of this testing will be performed by sharing resources from the Montana Historical Society and the Montana Arts Council. The Central Services Managers from each agency will be responsible for this function.

### **Reviews for this year:**

#### **LSTA Site Evaluation: Senior Program Officer from IMLS**

**Review of the New Circulation Policy: Goal is to align our stated policies regarding electronic resources access with current practices and licenses agreements. On September first, MSC staff will be asked to run a report of all users with an MSL-PUB profile. The report should be 0. On September first, Mike Price (MSC) will share the EZ-Proxy authentication string to demonstrate that no users with an MSL-PUB profile can remotely authenticate to MSL electronic databases.**

Upon completion of an audit, Kris Schmitz, reviews the audit team's findings. A final report, including management's proposed corrective action plan, is forwarded to the State Librarian and Executive Staff for review and action.

The process by which internal audit reports are issued and corrective actions monitored is detailed in the Internal Audit charter entitled, *[Conducting Internal Audits And Management Responsibilities Related To Internal Audits]*. In addition, the CAE reviews the audit reports issued by external agencies (e.g. State Audits Division and federal auditors) and advises Executive Staff of the audit findings. Executive Staff directs operational line management to prepare responses and corrective action plans.

### **1.2.2 Concept 2: Internal control plan should be documented and communicated.**

**Designated Units:** Executive Staff, Internal Control Officer, and Supervisors

Kris Schmitz, in her duties as Internal Control Officer, has the overall responsibility of developing and communicating to the Montana State Library management the content of the agency's written internal control plan. The Montana State Library *Internal Control Evaluation and Monitoring Plan* is updated annually.

Each Administrator is responsible for ensuring compliance with all requirements that pertain to his/her area of responsibility, including the development and maintenance of applicable written policies and procedures.

In addition, each Administrator is responsible for ensuring that copies of the internal control plan are made available for Supervisors to review. Supervisors are responsible for communicating the importance of internal controls to their staffs.

### **1.2.3 Concept 3: Duties should be segregated.**

**Designated Units:** Executive Staff, Managers and Supervisors

All members of Montana State Library Executive Staff and all Supervisors and their staff are responsible for complying with internal control policies concerning segregation of duties for tasks and functions under their jurisdiction.

Consistent with the Department of Administration's (DofA) *Internal Control Guidebook*, the Montana State Library adheres to the following principles:

- The individual responsible for hiring, terminating and approving promotions is not directly involved with preparing payroll or inputting data.
- Individuals approving time sheets are not involved in preparing payroll.
- Individuals involved in payroll data entry do not have payroll approval authority.
- Individuals responsible for data entry of encumbrances and payment vouchers do not have authority to approve them.
- Individuals responsible for acknowledging the receipt of goods are not also responsible for purchasing and/or accounts payable activities.
- Individuals who monitor physical inventory do not have the authority to approve withdrawals of items maintained in inventory.

- Individuals responsible for billing are not responsible for collecting and processing cash receipts.
- Individuals responsible for maintaining accounts receivable are not involved with cash receipts.
- Individuals receiving cash into the office are not involved in making deposits.
- Individuals receiving cash or making deposits are not involved in reconciling the bank accounts.
- The person signing manual checks is not the person who reconciles the bank accounts.
- If any of the above duties cannot be segregated, compensating controls have been implemented and are being followed.

#### 1.2.4 Concept 4: **Internal control systems should be supervised**

**Designated Units:** Executive Staff, Managers and Supervisors

Managers are required to establish clear lines of authority and responsibility. The effectiveness of internal controls depends upon the thoroughness, consistency and timeliness of supervision. Montana State Library Executive Staff and Supervisors and their staff are responsible for ensuring that their jurisdictions have qualified and continuous supervision. This supervision is provided to ensure that internal control objectives are achieved.

The duties of the manager/supervisor in carrying out their responsibilities include:

- Clearly communicating the duties, responsibilities and accountabilities assigned to each staff member:
- Systematically reviewing each member's work to the extent necessary:
- Approving work at critical points to ensure that work flows as intended.

The methods used to perform these duties include:

- Completing the agency orientation process for all new employees to ensure that employees know of and understand agency policies and controls:
- Working with employees to prepare and review performance objectives and conducting annual performance appraisal in accordance with the agency competency model:
- Holding regularly scheduled staff meetings:
- Assigning tasks and establishing written procedures for completing assignments:
- Providing guidance and training (or opportunities to attend training) when necessary:
- Regularly reviewing appropriate management reports:
- Providing appropriate recognition of employee suggestions for control improvements.

#### 1.2.5 Concept 5: **Transactions should be documented**

**Designated Units:** All processing units within Central Services and any other work unit involved in Records Management and Archiving, Cash Receipting, Cash Disbursements; Accounts Receivable, Accounts Payable; and other processing activities

All transactions must be supported by appropriate documentation. The documentation must be complete and accurate and should allow tracing a transaction or event from the source documents, while it is in process, through its completion. The documentation should be readily available for examination.

Regardless of format, the supporting documentation should indicate the purpose or reason for the transaction and that the transaction was properly authorized. The transaction amount should be clearly evident or easily verified upon recalculation. The documentation should fully support the information entered in other key data fields in accordance with requirements specified by the Montana Operations Manual (MOM) Volume II. In cases where estimates are used, the underlying methodology (trend analyses, ratios, assumptions, etc.) should be documented and readily available for audit. For system-generated transactions, documentation that clearly describes the methodology, formulas and calculations, and the applicable system links and processes should be maintained.

The Agency's records management policies and guidelines are contained in the *Agency Retention Schedule*. The Secretary of State Records and Information Management Division (Records Management) maintains the Agency Retention Schedule and distributes it to all Montana State Library divisions. The purpose of the schedule is to establish standards and procedures that are consistent with Montana Administrative Rules (MAR). The *Agency Retention Schedule* is updated on a periodic basis and dated amendments are issued when a new form is created or when a form

becomes obsolete or is revised. The State Library has one agency records custodian who works with Records Management to ensure effective records management throughout the agency.

The agency records custodian for the State Library is responsible for ensuring that all original documents and records in support of the Agency's accounting transactions are imaged or otherwise retained in accordance with the *Agency Retention Schedule* and that a detailed accounting of all financial records sent to Records Management is maintained.

### **1.2.6 Concept 6: Transactions should be authorized**

**Designated Units:** Executive Staff and Supervisors

Transactions and other significant events are authorized and executed only by persons acting within the scope of their authority. The State Librarian delegates authority to Division Administrators to perform the operations of the Agency. Division Administrators may also delegate restricted signature authority to other employees within their reporting structure. A delegation form signed by both the appointing authority and the delegate is required. The form should describe the type of authority being delegated and may specify the dollar and/or other limits. Division Administrators or their delegates must review them periodically to ensure that authorizations and signatures are up-to-date. In addition, the Department of Administration Accounting Bureau provides periodic training to managers and staff on their fiscal responsibilities.

Financial statement adjustments and interfund/interagency transfer transactions are also subject to management review and approval. Designated individuals with appropriate experience and background have been authorized to approve these transactions. The supporting documentation should clearly show that adjustments and transfers have been properly reviewed and authorized before they are entered into the accounting system.

The Montana State Library's Executive Staff, and Supervisors are responsible for complying with all laws and regulations that in any way relate to their job functions. This includes, but is not limited to, federal and state laws and regulatory requirements, the administrative guidelines and accounting policies issued by the Department of Administration, directives issued by the Governor's Office, Administrative Rules and the agency's own policies and procedures.

### **1.2.7 Concept 7: Access to resources should be controlled**

**Designated Units:** Executive Staff, Central Services, Information Technology Support,

#### **1.2.7.1 Access to physical resources**

The Department of Administration General Services Division is responsible for managing and safeguarding both owned and leased buildings, building-related equipment and land used to conduct agency business. The Department of Transportation Motor Pool is responsible for management and safeguarding of autos and other vehicles within the State Motor Pool fleet. The Department of Administration State Information Technology Services Division (SITSD) manages the acquisition and safeguarding of central computer hardware and software and network services. The various business units are responsible for acquiring and managing other business machinery and equipment. Acquisition and disposition procedures are aligned with fixed asset policies and procedures published in MOM Volume II.

Every two years, Central Services Division must conduct an inventory of all capital assets (over \$5,000) and all high risk assets (under \$5,000), such as computers and accessories. Discrepancies are investigated and adjusted. The inventory serves two purposes. It ensures the accuracy of fixed asset information reported in the fixed asset module for use in the annual financial statement and to DofA Risk Management Division for insurance purposes.

All losses, including those that appear to be caused by fraud or dishonesty, are reported immediately to Attorney General and the Legislative Audit Division.

#### **1.2.7.2 Access to monetary resources**

The agency's policies on segregation of duties are designed to assist management in deterring employee theft.

- Cash handling is separated from record keeping.
- Customer billing is separated from cash collection.
- No one person is allowed to handle a cash transaction from beginning to end.

- Cash receiving is centralized to the extent possible.
- Reconciliation of the accounting records to State Treasury accounts and other authorized bank accounts is performed promptly by individuals who have no responsibility for handling cash.
- Cash or checks that are not deposited within one day of receipt are locked in a file cabinet overnight.

### **1.2.7.3 Access to personnel**

The Central Services Division is responsible for evaluating the physical security and safety of Montana State Library employees at all facilities and for suggesting corrective action when necessary. The Montana State Library responds to threats made to employees.

Montana State Library locations at 1515 East Sixth Avenue is open to the public from 8:00 a.m. to 5:00 p.m., Monday through Friday. Building security is provided by capital campus security guards. During non-public hours, building access is controlled by card-access systems. Hours which employees are allowed access to the building during non-public hours is determined by job type and must be recommended by the Supervisor and requested by the Central Services Manager. MSL has a current Emergency Action Plan for the Justice building with periodic training and drills done. MSL has a Safety Committee which meets every other month. Safety is a standing agenda item on bi-monthly all staff meetings and safety training is provided on an as need basis.

### **1.2.7.4 Access to information**

An access control policy exists for all agency systems that define the strategy to prevent unauthorized access to information. Employees, consultants, and contractors who design, develop, operate, or maintain information technology (IT) systems, are subject to background investigations and must be authorized to access the systems. All visitors to restricted premises, not previously cleared, are escorted.

As required by DofA State Information Technology Services Division (SITSD) policy the agency security officer, Evan Hammer (Digital Information Manager/CIO), is responsible for security issues involving access and use of agency and statewide IT systems. All users of IT systems must receive appropriate clearance to use a system from appropriate IT security management and/or the application administrators. This permission must be written and includes assignment of a User ID (e.g. cw#) and Password. Remote access users must receive special written permission from the agency security officer before being given remote access. Remote access is facilitated by SITSD. All users of an IT system must complete security awareness training provided by the state on an annual basis.

All IT systems use is restricted to official business purposes in accordance with MSL policy, except for use of MSL's public access computers (PACs). Public users are required to follow the Montana State Library Public Computer User Guidelines. PAC users are logged on to PAC's using secure login information and use time is limited. PAC users are encouraged to report suspicious behavior to library staff.

Security for the following IT systems is managed as follows:

- The Keystone Library Automated System (KLAS) is administered by staff of the MSL Montana Talking Book Library (MTBL) for the blind, low vision, physically and reading handicapped of Montana. The application consists of a proprietary system sold by KLAS. Use of this online integrated library system is restricted to the management of library records including confidential patron records, collection and playback equipment and accessories maintenance and patron use. Administrative access is limited to staff of MTBL via a Client/Server system. Additionally, certain transactions can be made via the online public interface. For systems support and maintenance KLAS accesses the online system via VPN Virtual Private Network. While the KLAS system is searchable via the Internet, all access that involves changes to data is restricted by user name and password. All users of the KLAS system receive appropriate user training from MTBL staff.
- The Montana Shared Catalog (MSC) is administered by staff of the Montana Shared Catalog. The application consists of a proprietary system sold by SirsiDynix known as Symphony. Use of this online integrated library system is restricted to the management of library records for collection maintenance and patron use. Administrative access is limited to staff of the Montana Shared Catalog who is also staff of the MSL. Staffs of libraries around the state access the Montana Shared Catalog databases to record circulation transactions, patron information and collection information via a Client/Server system. This access is made available via the Internet through designated Internet ports. Additionally, certain transactions can be made via the online public interface. For systems support and maintenance SirsiDynix accesses the online system via VPN. While library

collections in the Montana Shared Catalog are searchable via the Internet, all access that involves changes to data is restricted by user name and password. All users of the Montana Shared Catalog receive appropriate user training from MSC staff or staffs of local libraries. The MSC also provides access to its online library catalog via an externally hosted SirsiDynix product called "Enterprise". The catalog's bibliographic records are harvested nightly for ingest in to the search interface along with four "delta" harvests of item records between 8am and 8pm daily. The data harvests are conducted via a proprietary, agent protocol between the local "Symphony" system server and the externally hosted servers. While Enterprise searches are available via the Internet, all access that involves administration, configuration and management is restricted to MSC staff and SirsiDynix technical support. Customization of individual interfaces is restricted to MSC staff and limited customization access, restricted by user name and password, is granted to designated member library staff.

- The Montana Geographic Information Systems (GIS) Portal is administered by staff of the Natural Resource Information System (NRIS) of the Montana State Library. The application consists of open source Portal Toolkit software developed by ESRI. The GIS portal manages GIS metadata which provide users with information on how to access associated GIS datasets. The GIS Data itself is not stored or managed through the GIS Portal. Administrative access is limited to staff of MSL Geographic Information and IT. Additionally, data publishers may publish metadata to the Portal via an online user interface. All metadata records are run through a validation process and must be approved by the Portal administrator before they are available to the public through the portal. While the Montana GIS Portal metadata collection is searchable via the Internet, all publisher access is restricted by user name and password. All publishers to the Montana GIS Portal have access to publication guidelines posted on the portal website and receive appropriate user training from NRIS staff.
- The Montana Memory Project is hosted and administered by staff of OCLC. This application consists of proprietary CONTENTdm software sold by OCLC. Use of this application is restricted to the online management of digital content such as PDF and image files. Certain administrative tasks such as assignment of users' accounts and creation of new collections are conducted by MSL staff. Contributors to the Montana Memory Project include staff of libraries, archives and museums around the state. Access by these staff is via the Internet through a Client/Server system which accesses the OCLC hosted database. While Montana Memory Project Collections are searchable via the Internet, all access that involves changes to data or content is restricted by user name and password. All contributors to the Montana Memory Project receive training by the Montana Memory Project support staff.
- MSL maintains several online applications that are database driven including the Request Tracker and the online Library Directory. These applications are administered by MSL SQL database administrators. Only select employees are given administrative access to the databases. Online databases that require external user input are password protected. All other databases are limited to read only.
- MSL maintains a small number of users' ids from select libraries around the state to facilitate authorization to access downloadable e-content from the vendor, Overdrive. The patron ids reside in a SQL table in a SQL database and contain no identifying information about the patron. When a patron from one of these libraries that subscribes to Overdrive attempts to login to the Overdrive website, Overdrive sends a script via the Internet to verify the patrons id against this data table. This data table is maintained by staff of MSL who receives updates from contributing libraries. The table is not publicly accessible.
- MSL maintains a small online collection of downloadable e-books that are available to patrons of libraries participating in MontanaLibrary2Go, a statewide downloadable e-content project. This collection is hosted on a server at MSL and complements the larger, externally hosted OverDrive collection referenced above. Patrons belonging to libraries in SIP compatible circulation systems authenticate through their patron library id, via the SIP authentication protocol. Patron ids are authenticated directly through the local library's circulation system, not at MSL. Patrons are required to register for a free Adobe account and download the free Adobe Digital Editions software in order to download and open titles in EPUB format. New content is added to this online collection through a secure server called Adobe Content Server. Electronic books in EPUB or PDF format are delivered directly from content providers via a password protected FTP site hosted by MSL. These books and their metadata are then loaded by MSL staff to the Adobe Content Server on the remote desktop MSLACSDEV and made available to registered patrons on an MSL hosted website.

- MSL provides access to an integrated discovery service called the EBSCO Discovery Service (“EDS”), that is an externally hosted, proprietary product owned by EBSCO, Inc. Catalog records and holdings of the Montana Shared Catalog are harvested nightly for ingest into the discovery product through an ftp process. All other content searchable and retrievable in EDS is made available through external vendors and suppliers of content and metadata records. While EDS searches are available via the Internet, all access that involves changes to data or content is restricted to EBSCO support staff. Customization of individual interfaces is restricted by user name and password.
- Finally MSL provides online public access to numerous externally-hosted, subscription databases. Access to these databases is via IP, library card number or address or username and password. State Library policies ensure that staff only provide authentication information to those persons for whom we are licensed to do so.

## 1.2.8 **Concept 8: Employees must adhere to the agency’s code of conduct**

**Designated Units:** Executive Staff and Supervisors

The Central Services Division has been delegated a significant role in ensuring employee integrity. It is responsible for all internal affairs matters, internal audits, investigations, physical and computer security, employee safety, employee background checks and employee activity. Montana State Library is also responsible for administering and working with management to promulgate the agency's Code of Conduct.

### 1.2.8.1 Office of Internal Affairs or similar organization

The Central Services Division is responsible for safeguarding employee integrity within the Montana State Library. The three primary functions of this office are:

- Educating employees on the risks of *misconduct*.
- *Conducting background investigations of Montana State Library* job applicants and appointees.
- Investigating allegations of misconduct by Montana State Library employees or others attempting to cause agency employees to violate the law or the Code of Conduct.

### 1.2.8.2 Code of conduct

All new Montana State Library employees must attend a State Ethics Law class provided by the Professional Development Center. On an annual basis, a State Library Staff meeting will be dedicated to a Code of Conduct refresher course. The training and materials provide employees with knowledge and awareness of the following:

- Employees must avoid any actual conduct which constitutes a conflict of interest or conduct which gives a reasonable basis for the perception of a conflict of interest between their private and public interests
- Employees are prohibited from taking action, performing any duty, or giving any preferential treatment from which they would benefit personally.
- Employees are prohibited from taking action which would result in illegal receipt of public or private funds.
- Employees may not participate in any official action relating to any entity or individual in which they or their immediate family has a financial interest.
- Current or former employees or officers must comply with restrictions regarding other employment, unwarranted privileges or self-exemptions, or improper exemptions.
- Employees must adhere to other standards of conduct described in Code of Conduct handbook.

Executive Staff is responsible for administering policies regarding political activity by Montana State Library personnel. The State Librarian periodically issues guidelines to all Divisions to ensure compliance with federal and state laws and regulations pertaining to allowable political activity by public employees. The employee handbook addresses political activity in the Montana Employee Guides located on the Montana State Library intranet site.

### 1.2.8.3 Office of Internal Audit Services

The Central Services Division is responsible for reporting suspected, unauthorized browsing of customer, employee or records to Executive Staff.

## **1.3 Transaction cycles**

### **1.3.1 Expenditure cycle**

The focus of this section is on disbursements processing.

Overriding control objectives

- All expenditures are lawful, properly authorized, and represent a responsible and appropriate use of State funds.
- All expenditures are for goods or services where the full value of such goods and services was actually received.
- Obligations for goods and services are paid in a timely manner as required by law or contractual terms, in sufficient time to take advantage of early payment discounts.
- All expenditures are sufficiently documented, accurately and completely recorded, charged to the proper accounting period (fiscal year) and properly classified as to category of expense.
- Accounts payable are properly classified by type (due to other funds, due to other governmental agencies, etc.). If yearend accrual entries involve accounting estimates, the estimates are reasonable and sufficiently documented.

#### **1.3.1.1 Applicable statutes, rules, policies, and procedure manuals**

- Montana Code Annotated
- Statewide purchasing polices issued by State Procurement Bureau within DofA
- MOM VOLUME II
- Montana Administrative Rules
- SABHRS manuals and guides

#### **1.3.1.2 Automated information systems in use**

- SABHRS

#### **1.3.1.3 Key reports**

*Control and Requestable reports:*

- APY1010 Voucher Register
- APY1020 Posted Voucher Listing
- APY2000 Payment History by Vendor
- MTAP1701 Voucher Status Report
- MTGL7008 Trial Balance - Fund
- GLS7002 General Ledger - Activity
- GLS3000 Open Items
- MTGL0106-O Organizational Detail Report - Org
- MTGL0106-P Organizational Detail Report - Project
- MTGL0111-O Organizational Summary
- MTGL0111-P Organizational Summary Report - Project
- GLS8020 Budget Status Report
- MTGL\_APPROP\_BUDGETS\_AND\_BAL Appropriation Budgets and Bal
- MTGL\_ORG\_BUDGETS\_AND\_BAL Org Budgets and Bal
- GLS7011Journal Edit Errors
- GLC7501Journal Entry Detail
- FIN2001Journal Entry Detail
- MTGL1101 Inter-Unit Journal In-Progress

#### **1.3.1.4 Questions for determining risk**

- Are employees required to attend training on the agency's purchasing, contracting and disbursements policies?

- Does a hierarchy exist which distinguishes the types of payments and the type of review or approval required for each payment type based upon dollar threshold or program specific concerns?
- How does the person responsible for approving the payment know that the goods or services were received or were provided in accordance with contract specifications?
- What procedures are in place to make certain that employees routinely check for the availability of appropriate Statewide Price Agreements?
- What procedures are in place to ensure that all items purchased using PRO cards were authorized and are appropriate?
- Do strong cut-off procedures exist to ensure that unbilled goods/services received prior to year end are properly recorded as expenditures for the current fiscal year?
- Are there any individuals who have both recordkeeping and approval responsibilities?
- Are there any individuals handling cash disbursements that also have duties related to cash receipts or the reconciliation of bank statements?
- Is there periodic investigation of warrants/checks outstanding for a considerable time?

### 1.3.1.5 Questions the approving officer should answer

- Are there adequate budget resources available now to allow me to incur this obligation?
- Will this obligation or expenditure pass the "public perception" test? That is, would I be comfortable if I saw this transaction written up on the front page of the local newspaper?
- Am I willing to approve this obligation knowing that I am fully responsible?

### 1.3.1.6 Documentation

<b>Disbursements Processing – Narrative</b>		
<b>Operational Units/Sections</b>	<b>Activities</b>	<b>Documents, Reports, Screens</b>
<i><b>Delegation of Authority</b></i>		
Agency Executive Staff	1. <b>State Librarian</b> determines delegation of expenditure authority. Signature delegation forms completed/submitted to Central Services Office. Copies maintained in Central Services Office. Delegation forms updated as personnel are hired or depart or duties change.	Approved Signature List
<i><b>Document Matching, Coding and Payment Authorization</b></i>		
Agency Business Units	1. <b>Invoices</b> will be mailed/delivered to either the Central Services Office or the division directly involved in the purchase.	Vendor invoices
	2. The <b>program manager</b> reviews the purchase and then assigns the org to charge and signs the authorization cover sheet and turns it into Central Services for processing.	
	3. The <b>Accounting Technician</b> processes his/her basket of invoices at least twice weekly. Invoices are prioritized by importance in order to make timely payments and to receive the best terms on the invoices.	Voucher package (invoice, receiving record, purchase authorization; other supporting documentation)
	4. <b>The Accounting Technician</b> performs 3-way match: invoice, receiving record (packing slip) and, if applicable, purchase order/other purchasing authorization.	
	5. <b>The Accounting Technician</b> verifies accuracy of invoices; checks for proper backup, checks for duplicate payment, make sure correct 1099 status and compliance with capitalization policies, documents any adjustments to invoice totals; calculates applicable discounts; completes coding block. He/She then	

<b>Disbursements Processing – Narrative</b>		
	enters the warrant claim, signs off on the cover sheet and submits to Central Services Manager for approval.	
	<b>6. The Central Services Manager</b> reviews “pending” SABHRS AP warrants for coding, amount, remittance address, correct vendor, and withholding if applicable. Errors are noted on the cover sheet and returned to the accounting technician to make corrections on SABHRS. Cover sheet is signed off on and AP flag is changed to “Approved” by the Central Services Manager.	
<b><i>Final Document Review, Data Entry and Release for Payment</i></b>		
Agency Disbursements Unit	1. The Accounting Technician reviews all claims for the month against the Posted Voucher Listing report to make sure what is on the cover sheet is actually what got posted in SABHRS. He/She performs this check twice a month.	
	2. The Document Log Book records the payment enter dates, claim number and the date is processed through SABHRS.	
<b>Operational Units/Sections</b>	<b>Activities</b>	<b>Documents, Reports, Screens</b>
<b><i>Accounting System - Data Processing</i></b>		
Information Systems Unit	1. Unique <b>operator ID numbers</b> and <b>user classes</b> are assigned to each person with access to accounting system. Each invoice is uniquely identified by <b>batch ID, batch date and document number</b> .	Data processing files and control reports
	2. System posts A/P; records expenditures; and issues warrants/checks on due date.	A/P and general ledger reports
	3. Warrants/checks flagged for special handling are returned to Central Services.; otherwise, warrants/checks mailed directly to vendor from warrant writing unit.	Warrants/checks
<b><i>Checks Requiring Special Handling and Archiving</i></b>		
Disbursements Unit	1. Non-mailer warrants/checks matched to remittance advice and mailed, or held for pick up by Business Unit. Stored in locked cabinet overnight. Signature of Business Unit employee obtained when warrant/check picked up.	Warrants/checks
	2.	
<b><i>Compliance Auditing</i></b>		
Financial Services Staff	1. <b>Financial Services employees</b> not involved in purchasing functions, accounts payable or disbursements processing perform quarterly audits to ensure agency expenditures: <ul style="list-style-type: none"> <li>• Comply with state/agency expenditure guidelines and purchasing policies, including Statewide Price Agreements;</li> <li>• Are approved by personnel with appropriate authority; and</li> <li>• Are properly coded for accounting and program purposes.</li> </ul>	Electronic transactions file and imaged documents

**Disbursements Processing  
Control Findings  
June 30, 2XXX**

Strength/Weakness		Explanation
S-1	3-way document match and review	Receiving documentation and purchasing documentation originate in separate units and are matched to the vendor's invoice and reviewed by Business Unit administration staff that has no responsibility for receiving and purchasing.
S-2	Manager review and approval	Voucher package (invoice, receiving document, purchasing documentation, etc.) is reviewed for appropriateness and completeness prior to authorization for payment.
S-3	Disbursements Unit review and verification	A final review is performed to ensure proper documentation and coding and to verify authorized signatures.
S-4	Payment release process is independent of data entry.	Disbursements Unit employees who enter invoice batches into the accounting system are not authorized to release batches for payment. An individual who has no ability to input or modify payment data reviews and releases the batches. Security access differentiates between data input responsibilities and payment release responsibilities.
W-1	Warrants/checks returned to Disbursements Unit	Checks requiring special handling should be returned to personnel in Central Services who have no direct access to Disbursement Unit processes to reduce the possibility of fraudulent payments.

### 1.3.2 Revenue cycle

The focus of this section is on cash receipts and accounts receivable processing.

#### 1.3.2.1 Overriding control objectives

##### Cash Receipts

- Procedures for handling and processing cash receipts are carefully designed, well-documented and clearly communicated.
- No one person is allowed to handle a cash transaction from beginning to end. Responsibilities for collection are adequately segregated from those for recording cash receipts and general ledger entries.
- Cash receipts are safeguarded at all times. The cash collection function is centralized to the extent possible. Cash receipts are immediately secured, control totals developed, and collections deposited daily intact. Any exceptions must conform to the requirements established by MOM VOLUME II.

##### Accounts Receivable

- An accounts receivable transaction is recorded only when goods/services have been provided or a claim established and corresponding earnings are measurable.
- The method of recognizing accounts receivable and the corresponding revenue (including year-end accrual procedures) is consistently applied.
- Receivables are accurately recorded in the appropriate accounting period (fiscal year), properly classified as to type (due from other funds, due from other governmental agencies, etc.), and properly classified between short-term and long-term.
- Billing documentation (such as Excel Invoices) is independently maintained and not accessible to parties outside of the billing function, especially those who might have access to cash collections or the detail records of parties being billed.

##### Sales Income and Other Revenues

- All revenues are recognized as soon as they are measurable and available.

- All revenues are accurately and completely recorded in the proper accounting period (fiscal year) and they are properly classified according to source.
- Charges for goods, services, licenses/permits, taxes, etc. are promptly and accurately billed.

### 1.3.2.1 Applicable statutes, rules, policies, and procedure manuals

- Montana Code Annotated
- Statewide purchasing policies issued by State Procurement Bureau within DofA
- MOM VOLUME II
- Montana Administrative Rules
- SABHRS manuals and guides

### 1.3.2.2 Automated information systems in use

- SABHRS

### 1.3.2.3 Key reports

*Control and Requestable reports:*

- MTGL7008 Trial Balance - Fund
- GLS7002 General Ledger - Activity
- GLS3000 Open Items
- MTGL0106-O Organizational Detail Report - Org
- MTGL0106-P Organizational Detail Report - Project
- MTGL0111-O Organizational Summary
- MTGL0111-P Organizational Summary Report - Project
- MTGL\_REVEST\_BUDGETS\_AND\_BAL Reports Budgets and Balances

*Other reports:*

- *Excel Database*

### 1.3.2.4 Questions for determining risk

#### Segregation of Duties

- Are responsibilities for cash receipts adequately segregated from those for handling cash disbursements and reconciliation of bank statements?
- Are responsibilities for billing for services and fees adequately segregated from those for collecting and recording cash receipts?
- Are responsibilities for collecting cash receipts and deposit preparation adequately segregated from those for maintaining detail accounts receivable and posting general ledger entries?

#### Cash Receipts

- Is a secure area provided for opening mail and processing incoming cash receipts? Is it restricted to authorized personnel only? Is it locked when not occupied?
- Is the mail opened in the presence of two or more employees? Are checks restrictively endorsed as soon as received? Are cash receipts secured in a cash drawer, vault, etc.?
- Are each day's receipts deposited intact, even if proper disposition is unknown?
- Are pre-numbered receipts, a cash register or equivalent method/mechanism used to control the receipt of cash payments made in person? Are copies of the receipts, cash register tapes or other records accounted for and balanced to daily collections?
- Is timely notice of cash receipts from separate collection centers given to central accounting and are reported receipts compared to general accounting records?

- Is all pertinent information related to cash receipts maintained, such as deposit tickets, remittance advices, copies of receipts and other memoranda
- 

### **General Controls**

- Are detailed receivable records reconciled to the GL control account and are reconciling items investigated by someone other than accounts receivable personnel?

### **1.3.2.5 Documentation**

Describe the processing activities, both manual and automated, and the document flow. Identify control check points and control activities. Use either a narrative approach or provide flowcharts and diagrams, or a combination of both.

#### **Talking Book Library: (Donation Received)**

1. Mail is opened by the Supervisor of MTBL daily with one staff person as a witness for any donations and memorials received.
2. Donation and memorial checks are endorsed and the check information entered in a ledger book as well as on a "Donation and Memorial accounting form". The "Donation and Memorial accounting form" is signed by the Supervisor. The entry in the ledger book is initialed by the Supervisor and the staff person witnessing the transaction.
3. Two copies of donation and memorial checks are made.
4. The original endorsed check, along with one copy, is attached to the "Donation and Memorial accounting form" and turned into the accounting office.
5. The second copy of donation and memorial checks is placed in annual files marked "Donations" and "Memorials" and placed in a locked cabinet in the MTBL Supervisors' office.
6. Any cash donations and/or memorials are handled in the same manner as above, except cash is not "endorsed" as checks are. Copies are made of cash monies. All other procedures are the same.
7. The accounting office records the donation or memorial on a record sheet and will either deposit or lock up the donations in a file cabinet until a deposit is made.
8. MTBL supervisor performs a monthly reconciliation of the MTBL SABHRS report (Org 43) trust income statements against the donations/memorials excel spreadsheets kept by MTBL.

#### **MT Shared Catalog: (Yearly payment received – June thru August)**

1. Invoices prepared by MT Shared Catalog staff based on the formula structure that was approved by the MSC membership. Invoices are mailed to all participates. Copies of invoices are turned into Central Services staff and payments are recorded in a local database.
2. Checks are received in Central Services. Checks are endorsed and the check information entered in a ledger book. Checks are then turned over to the Accounting Technician to be locked up or deposited depending on the dollar amount collected.
3. At the end of the month the account is reconciled by the Central Services Manager based on the database of recorded payments versus the amount showing in Org 30 account.
4. Shared Catalog Administrator will review database and reconcile database and send out 2<sup>nd</sup> notices if needed.

#### **E-Content Services Project**

1. Invoices prepared by Statewide Projects Librarian based on the libraries involved in the project. Invoices are mailed to all participates. Copies of invoices are turned into Central Services staff and a database is developed out on the Shared drive to record payments.
5. Checks are received in Central Services.. Checks are endorsed and the check information entered in a ledger book. Checks are then turned over to the Accounting Technician to be locked up or deposited depending on the dollar amount collected.
6. At the end of the month the account is reconciled by the Central Services Manager based on the database of recorded payments versus the amount showing in Org 105 account.
7. Statewide Projects Librarian will review database and reconcile database and send out 2<sup>nd</sup> notices if needed.

**Montana State Library**  
**Cash Receipts/Accounts Receivable Processing**  
**Control Findings**  
**June 30, 2XXX**

Strength/Weakness		Explanation
S-1		
S-2	Mail handling procedures	Remittances are mailed to designated PO boxes. DofA picks up mail; delivers to agency mailroom. Mailroom examines for suspicious packaging; then slits open automatically. Contents removed in presence of two or more cashiering employees. Checks immediately restrictively endorsed.
S-6	Billing documentation independently maintained; not accessible to others.	Billing information initiated in and maintained by Program unit. Billing information uploaded to accounting system, which automatically updates detailed receivable records and generates customer invoices.
S-7		
S-8		
S-9		
W-1		

### 1.3.3 Payroll cycle

The focus of this section is on the payroll transaction cycle. This cycle includes authorization to update the SABHRS for new and terminated employees and wage/salary adjustments; the recording of daily work time and attendance by employees; supervisory review and approval of time records; data input into the central payroll system; monthly payroll processing and paycheck preparation; and paycheck distribution.

#### 1.3.3.1 Overriding control objectives

- No payments are made to fictitious employees.
- No overpayments are made to bona fide employees.
- Payroll related expenses are properly accrued and classified in the financial statements.

#### 1.3.3.2 Applicable statutes, rules, policies, and procedures

- MOM Volume III
- SABHRS Manuals

#### 1.3.3.3 Automated information systems in use

- SABHRS

#### 1.3.3.4 Key reports

Report Name	Title
Time Validation Reports	MTTL1202 & MTTL1202P
Payable Status Report	TL001
Payroll Register	PAY002
Employee Compensation Changes	PER013
One Time Deduction Overrides	MTBA3516
Payroll Error Messages	PAY011

Report Name	Title
Payroll Summary	PAY018
Advice Register	DDP004
Check Register	PAY004
Leave Accrual	MTBA2101
Deduction Register	PAY001
Deductions in Arrears	PAY007
Tax Deposit Report	TAX001
Over 5000 and % Pay Audit	MTPY5104
Pay Rate Audit	MTPY5105
Special Conditions Report	MTPY4401
Payroll Expenditures Report	MTPY5103
MT_TL_RPTD_HRS_MORETHAN_80	
MT_TL_NO_PAYABLE_TIME	
MT_TL_TR_STATUS_YES	
MT_TL_TTL HRS_BY_Payable_STATUS	
MT_TL_TTL_RPTLHRS_ SUBM_ APPR	

**1.3.3.5 Questions for determining risk**

**Segregation of Duties**

- Are responsibilities for personnel (human resources), time recording and supervisory review, payroll processing/paycheck preparation, paycheck distribution and general ledger functions assigned to provide a division of duties?
- Are responsibilities for payroll processing adequately segregated from the general ledger function?
- Is payroll distribution supervised by employees, who:
  - Take no part in timekeeping (data input) and payroll processing/paycheck preparation?
  - Have no update access to the SABHRS?
- Is reconciliation of the payroll bank account done regularly by employees independent of all other payroll transaction processing activities?

**Personnel Controls**

- Do personnel procedures and controls include the following?
  - All changes in employment (additions and terminations), salary and wage rates, and payroll deductions are properly authorized and documented.
  - Payroll processing function is promptly notified of additions, separations, changes in salaries/wages and deductions.
  - Appropriate records are maintained for accumulated employee benefits (vacation, sick leave, etc.).

**Time Recording/Supervisory Controls**

- Do time recording/supervisory procedures and controls include the following?
  - Maintenance of detailed records of hours worked and approved, when appropriate.
  - Procedures established to ensure that supervisory personnel verify hours worked, including overtime hours.
  - Written procedures for authorizing, approving and recording vacation, holidays, sick leave, personal business leave, shift differential, etc. and for approving and controlling compensatory time?
  - Procedures established for timekeeping (inputting time and attendance into payroll system).
  - Additional timekeeping procedures that include reviewing time records for supervisor’s approval and completeness and accuracy.

**Payroll Processing Controls**

- Do payroll processing procedures and controls include the following?

- Approval and documentation of all changes to the master payroll file.
- Limiting access to the master payroll file to employees who are authorized to make changes.
- Review and approval of completed payroll registers before disbursements are made.
- Review for reasonableness of comparisons of gross pay for current to prior period payrolls by a knowledgeable person not otherwise involved in payroll processing.
- Balancing the distribution of dollars and hours of gross pay with payroll registers.
- Procedures to ensure that requests for payroll advances to officials and employees comply with policy.

### Payroll Disbursement and Paycheck Distribution Controls

- Do payroll disbursement procedures and controls include the following?
  - Strong encouragement for all employees to receive payroll disbursement through “direct deposit” to their bank account or through prepaid payroll cards.
  - A formal process to control and dispose of unclaimed paychecks.
  - A formal process to control and verify returned W-2s.
  - Review and approval of gross pay adjustment report by non-payroll manager before paychecks and direct deposit stubs are distributed to employees.
  - Distribution of paychecks and direct deposit stubs by non-payroll staff.
  - Periodic distribution of payroll checks by the internal auditors or other independent party, to ascertain employees exist for all checks prepared.

### General Ledger Controls

- Do general ledger procedures and controls include the following?
  - Adequate account coding procedures for classification of employee compensation and benefit costs, so such costs are recorded in the proper general ledger account.
  - Proper recording or disclosure of accrued liabilities for unpaid employee compensation and benefit costs.
  - Reconciliation of payroll data posted to general ledger to the payroll reports.

### Controls Related to Grants

- Do payroll and personnel policies/controls include the following?
  - Controls to ensure that payroll costs charged to grants are in compliance with grant agreements.
  - Payroll and personnel policies governing compensation are in accordance with the requirements of grant agreements.

#### 1.3.3.6 Documentation

Describe the processing activities, both manual and automated, and the document flow. Identify control check points and control activities. Use either a narrative approach or provide flowcharts and diagrams, or a combination of both.

Payroll Processing – Narrative		
Operational Units/Sections	Activities	Documents, Reports, Systems
<i>Initiating Transactions in Personnel Database</i>		
Agency Human Resources Unit	<p><b>1. The Administrative Assistant in the Central Services Office</b> consults with Central Services Manager &amp; position supervisor on salary/wage rate, any special hiring conditions and/or contractual obligations related to open position. Upon acceptance of job offer, The Administrative Assistant prepares an official job offer letter. Once the offer letter is signed by new employee and returned the Administrative Assistant he/she will forward a copy to the Accounting Technician to add employee to <b>SABHRS</b>.</p>	<p>(1) Applications, Personnel Action forms, disciplinary documentation; (2) SABHRS</p>

**Payroll Processing – Narrative**

Operational Units/Sections	Activities	Documents, Reports, Systems
	<p><b>2. Central Services office</b> also serves as a consultant to management for disciplinary problems and provides counsel concerning warnings, probation and termination. Upon termination or resignation, employee's manager completes form and forwards to Accounting Technician to remove employee from active status in <b>SABHRS</b>.</p>	
	<p><b>3.</b> Only State Personnel Division (SPD) at DofA and agency HR personnel have access to update SABHRS and then transmit employee status and pay rate information to the central payroll processing system.</p>	
	<p><b>4.</b></p>	

***Supervision and Timekeeping***

Agency Business Units	<p><b>1. Employees</b> record time worked/attendance using manual timesheets or the electronic time capture system. Employees are required to sign manual timesheets.</p>	(1) Manual time records; (2) electronic time capture system, OSPA
	<p><b>2. Supervisors</b> timely review and approve time records, verifying hours worked, (including overtime hours). Supervisors also verify that holidays, sick leave, vacation, etc. have been appropriately recorded. Supervisors indicate approval by signing manual time records or by approving the electronic record. Manual timesheets are forwarded directly to the timekeeping function.</p>	
	<p><b>3. Timekeepers</b> manually input time/attendance data from manual timesheets into the central payroll processing system on SABHRS. Timekeepers enter approved time records only. Correction of errors must be reviewed and approved by the appropriate supervisor.</p> <p>NOTE: Timekeeping function (data entry) may also be performed by agency payroll unit and into an agency system.</p>	
	<p><b>4. Work time/attendance</b> entered and “<b>locked</b>” in the electronic time capture system is automatically interfaced to SABHRS.</p>	

***Agency Payroll Processing***

Agency Payroll Unit	<p><b>1. Payroll unit</b> (Accounting Technician) or the employee through the mine system processes W-4s/W-5s, direct deposit enrollment forms, and other <b>miscellaneous deductions</b> and updates SABHRS; payroll unit has established procedures to ensure timely payment/accurate calculation.</p>	(1) Documentation for voluntary and involuntary deductions, benefit forms, expense reimbursement claims, time records; (2) SABHRS
	<p><b>2. Payroll unit</b> (Accounting Technician) also processes <b>manual benefit forms</b> received from field office locations and enters data into SABHRS.</p>	
	<p><b>3. Payroll unit/accounts payable unit</b> have established procedures to ensure <b>expense reimbursement claims</b></p>	

**Payroll Processing – Narrative**

Operational Units/Sections	Activities	Documents, Reports, Systems
	<p>processed through payroll represent bona fide business expenses and <u>not</u> additional income.</p> <p>4. <b>Payroll unit</b> reviews time/attendance records, YTD accumulated payroll information, and control reports for errors and obtains appropriate approvals to make <b>corrections</b> and update SABHRS.</p> <p>5. <b>Payroll unit</b> has established procedures to ensure <b>documentation</b> of time records, misc. deductions, salary changes, adjustments, etc. is retained in accordance with <b>state retention guidelines</b>.</p>	
<b>Central Payroll Processing</b>		
Central Payroll Processing Unit	<p>1. <b>State Payroll and the SABHRS bureau</b> at DofA processes bi-weekly payrolls. Personnel and voluntary/involuntary deductions are entered directly into SABHRS by agency payroll units.</p> <p>2. <b>Access to SABHRS</b> controlled by separate <b>Systems Security Officers</b>; passwords reset every 90 days; failed attempts to access SABHRS reported by system.</p>	(1) OSPA, access controls, reasonableness limit tests; (2) paychecks & direct deposit pay stubs; (3) YTD earnings records, tax reports, W-2's, other control reports
	<p>3. <b>Batch control</b> requires manual override of net pay amounts over a set dollar amount; special report identifies paychecks more than 2 times monthly salary.</p> <p>4. <b>Checks and direct deposit stubs</b> delivered by central mail services to agencies and released only to agency personnel listed on log of approved signers maintained by SPD.</p> <p>5. <b>Daily off-cycle checks</b> delivered only to authorized agency personnel (re-certified annually). SPD personnel who process these payments cannot receive/distribute the checks. Check numbers assigned by the system and tracked/compared against check stock.</p> <p>6. <b>SPD</b> reconciles YTD earnings records with quarterly/annual tax reports, W-2s and control reports.</p> <p>7. SPD uses <b>CobiT standards</b> for authorization, documentation, testing and approval of system changes.</p>	
<b>Paycheck Distribution and Related Processes</b>		
Agency Payroll Unit and Business Units	<p>1. <b>Paychecks and direct deposit pay stubs</b> distributed to employees by agency personnel who have no update access to SABHRS no responsibility for manual timekeeping, and are not involved in payroll recordkeeping/paycheck preparation.</p> <p>2.</p>	Paychecks & direct deposit pay stubs, check registers, unclaimed paychecks, returned W-2s

**Payroll Processing – Narrative**

Operational Units/Sections	Activities	Documents, Reports, Systems
	<p><b>3. Payroll unit</b> has established formal processes to control and dispose of <b>unclaimed payroll checks</b> and verify <b>returned W-2s</b>.</p>	
<b>General Control Activities</b>		
<p>General Ledger Accounting Unit and Financial Services Units</p>	<p><b>1. SPD personnel</b> compare payroll data interfaced from Agency systems to SABHRS using payroll reports.  <b>2. Agency Central Services</b> reconciles their payroll reports to postings in SABHRS and agency subsidiary accounting systems.</p>	<p>Payroll, general ledger reports, payroll reports, subsidiary system reports</p>

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**Montana State Library  
Payroll Processing  
Control Findings  
June 30, 2XXX**

Strength/Weakness		Explanation
S-1	Segregation of duties	Responsibilities for initiating updates to the personnel database, recording work time/attendance and supervisory approval, payroll processing and paycheck preparation, and paycheck distribution are appropriately segregated.
S-2	Timesheets forwarded directly to timekeepers	After manager reviews and approves timesheets, original copies are not returned to employees to avoid unapproved changes.
S-3	Data integrity	Timekeepers input only approved timesheets into payroll system and obtain approval for adjustments and corrections from appropriate managers.
S-4	Agency payroll unit review procedures	Agency payroll unit has established review procedures to ensure employees claims for expense reimbursement processed through payroll do not represent duplicate payments.
S-5	Access controls to payroll system	Access to SABHRS controlled by separate Systems Security Office. Passwords reset every 90 days.
S-6	Controls over paycheck distribution and data integrity	Paychecks/direct deposit stubs delivered directly from print to agencies by central mail services and released only to pre-approved agency personnel. Prior to distribution, the Gross Pay Adjustment report reviewed/signed by an agency manager not connected to payroll function. Paychecks/direct deposit stubs distributed to employees by non-payroll staff.
S-7	Controls over unclaimed paychecks and returned W-2s	Agency payroll unit has established formal procedures to control and dispose of unclaimed payroll checks and to verify returned W-2s.
S-8		
S-9	Performance of independent comparisons and reconciliations	State Payroll reconciles payroll agency fund and compares data posted in SABHRS to payroll reports. Agency financial services units reconcile their agency payroll reports to postings in SABHRS and agency subsidiary systems.
W-1	Lack of statewide policy	The statewide accounting policy does not contain a payroll policy that requires all state agencies to distribute copies of the

See Below Attached #1 – Additional Internal Control Procedures

**ATTACHMENT # 1**  
**MONTANA STATE LIBRARY**  
**INTERNAL CONTROLS – PROCESSES**

**RECEIVABLES**

**\*\* SEE ABOVE UNDER REVENUE CYCLE**

**PURCHASING/RECEIVING**

- All purchases via an agency purchase order, central stores or misc purchases are requested by email into the Administrative Assistant in central services.
- The administrative assistant will research the order to see if it is available on term contract, find the best deal or get the needed bids.
- If the purchase is IT-related the purchase request will be approved by staff supervisors and Division Administrator. Staff will request that the Network Administrator review the request to determine what hardware or software should be purchased to ensure compatibility with current IT systems and internal and state IT policy. The Network Administrator will request quotes for the software or hardware required. Once quotes are received staff and/or the Network Administrator will prepare an IT purchase request (ITPR) that is submitted to the CIO. In accordance with the ITSD Delegated Authority policy, the CIO will either approve the ITPR or refer the ITPR to ITSD. Upon final approval of the ITPR, the purchase request and quotes will be submitted to the administrative assistant for purchasing and a copy of the approved ITPR will be given to the Central Services Manager.
- The administrative assistant will email the supervisors for approval and assigning of the org to be charged. The administrative assistant will then prepare the purchase order, record it in the document log book and get the Central Services Manager to sign the purchase order. If the Central Services Manager was not available the State Librarian or the Division administrator can sign the purchase order.
- When the order is received it is checked in by the Data Technician who signs off that the merchandise was received and puts the form into the accounting technician basket for backup when invoice is received. The purchase is then put away or delivered to the program who ordered it.
- Equipment received: When the invoice and the approval sheet is received by the Accounting Technician she notes that it is a taggable item and when she is paying the invoice in the accounts payable module she enters the make, model, serial number of the item and where it is located into the asset management module. She takes the physical tag and goes and tags the property.
- Required receipt for USB card purchases. Credit card purchases require an original receipt and payment authorization cover sheet attached to them. The Accounting Technician reconciles the SABHRS procard journal monthly. She then turns in all payment authorization sheets to the Central Services Manager who does the final approval on this journal.
- Library Information Services book purchases: Purchases of books to add to the State Library print collection are made through a corporate account established with Amazon.com. Requests for new materials are approved by the Library Information Services Manager and orders are processed by the Library Technician. When materials are received the shipments are opened by the Library Technician with one staff person as a witness.

**TRAVEL**

We have established an internal web page for all State Library employees which has all policies in one location.

**State Travel Policy/Hotel Listing:**

<http://doa.mt.gov/doatravel/travelmain.asp>

**MSL Procedure for Employee Travel:**

[http://intranet.msl.mt.gov/Admin/Central\\_Services/Staff\\_Handbook/staffhandbookByCategory.aspx#Travel](http://intranet.msl.mt.gov/Admin/Central_Services/Staff_Handbook/staffhandbookByCategory.aspx#Travel)

Out of state travel must first be approved by the Supervisor and the State Librarian before travel arrangements are made. If necessary, Governor's Office approval is also received.

Employees must submit all travel claims to their supervisor for approval. A payment authorization form is filled out and signed by the supervisor who submits it to Central Services/Accounting Technician for processing. She reviews each travel claim for accurate charges, original receipts and that it complies with state travel regulations before processing the warrant. Central Services Manager approves claim. Travel claims usually come in on a monthly basis unless needed sooner.

Central Services manager signs off on the State Librarians travel claims.

The State Library Commission travel claims are approved by the Administrative Assistant in the Central Office.

Airline tickets for State Library employees must be requested to the Administrative Assistant in Central Services. An email is sent to her which details the requirements of the trip. She gets the supervisors approval and makes sure an out of state justification is filed (if appropriate) before researching out the flight. She finds the best deal within the requirements they requested and gets the final approval before purchasing. She makes the purchase on her State Library credit card. She then prints out the receipt and turns in the backup to the Accounting Technician. She will do up the expense cover sheet and get the supervisors approval.

**MSL Refreshments procedure:**

[http://intranet.msl.mt.gov/Admin/DocumentArchive/Central\\_Services/Staff\\_Handbook/msl\\_proc/07\\_refreshment\\_proc.pdf](http://intranet.msl.mt.gov/Admin/DocumentArchive/Central_Services/Staff_Handbook/msl_proc/07_refreshment_proc.pdf)

## **STATE LIBRARY TRUST ACCOUNT**

All donations received are recorded as above.

The fund account is watch by the Central Services Manager and when it starts to build, a trust buy is done with the Board of Investments.

Expenditures must be requested based on this policy to the State Library Commission:

[http://intranet.msl.mt.gov/Admin/DocumentArchive/Central\\_Services/Staff\\_Handbook/comm\\_pols/20\\_libtrust.pdf](http://intranet.msl.mt.gov/Admin/DocumentArchive/Central_Services/Staff_Handbook/comm_pols/20_libtrust.pdf)

## **PAYROLL**

Get time sheets from employees. Review time. (Does it add up to 40 hrs a week, 80 hrs a pay period, comp earn was recorded correctly, holiday was entered, employee has enough leave hrs for what was taken, time sheets are signed).

Enter time sheets into SABHRS.

Check time sheets with Time entry validation report. Correct any errors you might find right then. Run it again to double check that the errors are corrected.

Give time sheets to supervisor to approve.

After all time sheets have gone thru the approval process do the payroll verification form and forward to the payroll email mailbox. On the MTTL1202P make sure all statuses say TP = taken by payroll.

## ONLINE

\*All employees except a few in the NRIS program are now entered online.

Run report MT\_TL\_SAVED\_NOT\_SUBMITTED\_LIST to see if all employees have submitted their time. If not, contact them to do so.

Run report Payable status to see the status of all time entered.

Check reports carefully. Does each week add up to 40, both weeks add up to 80 or more if employee had comp time earned. Check for holidays if there was one. After all time sheets have gone thru the approval process do the payroll verification form and forward to the payroll email mailbox. On the MTTL1202P make sure all statuses say TP = taken by payroll.

## **CAPITAL AND NON-CAPITAL ASSETS**

If an item is over \$50 it is tagged unless it is untaggable (like an internal hard drive). When paying the bill thru Accts Payable I mark it as an asset. Then follow the instructions below to finish entering all information in AM after the end of month processes have run.

### GO INTO ASSET MANAGEMENT AND ENTER NEW ITEMS THAT WENT THRU THE ACCTS PAYABLE MODULE

1. Run a query. Go to: View, Navigator Display, Query. Choose: MTAM0006 – Assets by Business Unit (51150). Right click, select run to Excel. Be patient. Takes a minute to come up. Sort by Asset ID. Go to the bottom and you will see the items that do not have a tag number. It will give you the vendor. Look up the payment. It should have the info you will need to enter.
2. Go into Manage Assets, Manage Assets. Go to Use, Asset Basic Information, General Info 1, Update Display All
3. Enter Asset ID number from list you printed out. Hit enter. This will bring up the asset.
4. Enter a description that is informative and descriptive. This is the description you will have when you are doing inventory. Enter tag number. Check taggable asset. Enter Asset Class.
5. Go to Comments tab. Enter anything that might be helpful in finding this item during inventory. Or any special instructions or comments.
6. Go to the location tab. Enter location. Use dropdown box if needed. Tab down to Document box. Enter claim number. Proceed claim number with budget year (01-1679).
7. Go to Custodian tab. Enter custodian. Last name first, comma, first name. No spaces after comma. If it is a room instead of a person enter (NRIS, computer room).
8. Go to Manufacturer tab. Enter serial number. Tab down to plant box. Enter company product was purchased from. (Dell, Computerland)

## **AUTOMATED DATA OR INFORMATION PROCESSING**

Data processing performed by Central Services staff is described above.

### **Patron Information Maintenance**

In December 2009 the Montana State Library approved a Statement of Privacy and Confidentiality that documents the level of privacy users of the Montana State Library can expect with regard to their library records. This statement can be found online at [http://apps.msl.mt.gov/About\\_the\\_Library/Policies/39\\_privacystmt.pdf](http://apps.msl.mt.gov/About_the_Library/Policies/39_privacystmt.pdf).

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**Montana Talking Book Library KLAS Server and Web OPAC:**

- The Montana Talking Book Library's KLAS server maintains bibliographic information about our library collection and specific patron information including eligibility, contact and reading preferences. The WebOpac catalog is accessed via a WebOpac server-client system. Both the server and the clients are password protected and only designated staff is given passwords.
- New patrons are required to provide basic contact information which is maintained in their patron records. Sensitive information such as social security numbers is not collected.
- Patrons may access their personal information via a password-protected online account. Patron accounts are accessed via a 10-digit patron code, found on their library mail cards, and a password. Patrons' passwords are designated by the patron.
- Records that link patrons to what they borrow are retained in the KLAS patron profile.
- Records for patrons who are no longer active library users are kept in the KLAS server up to five years as required by the National Library Service.
- Records for deceased patrons are kept in the KLAS server no longer than two years.

### **Request Tracker:**

- The Request Tracker contains contact information for patrons who use the system to make requests, and correspondence between staff and the patron.
- Patrons provide a username and password that they may use to access their contact information and information about their requests. This information is limited to those staff members who have access to the internal web server or access to the SQL Server database that stores the information.
- The internal Request Tracker is restricted by IP address to only MSL computers.
- Sensitive information such as social security numbers are not collected. The list of patrons and the details of their request are considered confidential, according to the Library Records Confidentiality Act.
- There is no plan to retire old patron records. Responses to patron requests can be quite complicated, and staff desire the ability to use information in the Request Tracker to reproduce the responses to old requests.

### **MT Shared Catalog:**

- The Montana Shared Catalog integrated library system maintains bibliographic information about our library collection and limited patron information. It is accessed via a server-client system. Both the server and the clients are password protected and only designated staff is given passwords.
- New patrons are required to provide basic contact information which is maintained in their patron records. Sensitive information such as social security numbers is not collected.
- Patrons may access and update their personal information via a password-protected online account. Patron accounts are accessed via a 14-digit barcode number found on their library cards and a password. Patrons' passwords are initially set to CHANGEME and patrons are encouraged to change their password as necessary.
- Records that link patrons to what they borrow are deleted after 90 days.
- Records for patrons who are no longer active library users are deleted annually.

### **Montana Library 2 Go:**

- MSL maintains a small number of users' ids from select libraries around the state to facilitate authorization to access downloadable e-content from the vendor, Overdrive.
- The patron ids reside in a SQL table in a SQL database
- This table contain no identifying information about the patron. When a patron from a library that subscribes to Overdrive attempts to login to the Overdrive website, Overdrive sends a script via the Internet to verify the patrons id against this data table.
- This data table is maintained by staff of MSL who receives updates from contributing libraries.
- The table is not publicly accessible.

## **Information Technology Maintenance and Security**

## **Web sites**

- Web content is managed by a Web Oversight Committee which includes Executive staff, the Communications and Marketing Coordinator and the Web Manager.
- Any new web content is added to the production web site by the Web Manager or his designee.
- The Web Manager leads a monthly meeting of agency programming staff to discuss best practices and development trends.
- MSL has implemented a content management system (CMS) based approach to managing program web pages in the MSL web environment. Using a CMS allows the web manager to implement a consistent web site structure across all MSL pages, while also allowing program staff the freedom to update the content of their pages as needed. The MSL Web Manager works with program leads to communicate, coordinate, and implement changes to the web page structure at the library or program.
- MSL is committed to making all meeting materials for MSL-hosted public meetings available via the MSL web site. Content such as personally identifiable patron information, billing information and/or other financial account information is first redacted before any material is shared online. It is the responsibility of the meeting organizer to review the content of all meeting material before it is posted to a web site.

## **Databases**

- Databases are password protected; only staff who need access to databases are given passwords and/or databases are limited by CW number.
- Most databases are set “read-only” so that the public cannot change data
- Those databases accessible via the web that are intended for update by the public including the Montana Library Directory and the Tracker are password protected. Persons requesting passwords are first verified by MSL staff before passwords are authorized.

## **MSL Staff Hardware, Software and Information Maintenance**

- MSL follows ITSD security and computer use policies as appropriate given our current business practices
- Entrance to the MSL data center is provided through an Access Control Keypad. Individual key codes are created and logged on a laptop which has no network access and is stored in a controlled, locked area.
- Access to staff workstations is limited to user accounts based on employee CW numbers and passwords. User accounts are created by the Network Administrator at the request of a supervisor.
- Access to MSL servers is limited by username and password
- Access to folders on the MSL File and Print server is limited to the appropriate groups of users; groups are organized by CW number which control user logins. Groups are created by the Network Administrator at the request of Executive Staff.
- To limit unnecessary or unapproved software downloads, MSL is working to limit administrative privileges for staff, as appropriate given our business needs. Software can be downloaded and installed by the Network Administrator when necessary and with proper approval.
- The library relies on a mirrored SAN to provide off-site storage for data, database backups, and our overall virtual server environment. Virtual machines are built to use only SAN drives for storage, Any data stored on the MSL SAN in the MSL Data Center (MSLDC) is immediately mirrored to the MSL SAN at the State of Montana Data Center (SMDC). To date this has been implemented for our web, application, and database servers.
- Employee and program data is stored on a file and print server that is set up to allow users to recover previous versions of files using shadow copies. A plan is in place to virtualize the file and print server so that any data on it will also be on SAN drives and thus have off-site backup.
- Server data is managed through volumes on a storage area network (SAN) located in the MSL data center. Offsite redundant data storage is provided via a mirrored SAN located in the State of Montana Data Center.
- MSL staff is developing a disaster recovery policy. This will be created in cooperation with staff from the SITSD Continuity of Operations staff.
- State network access is limited to MSL staff or contractors and is accessed via CW number.

- The state network is secured through 802.1x authentication. This allows ports in the building to remain open even when not in use because without proper configuration any machine that attempts to connect through a state network port will fail authentication and not be allowed network access.
- Remote Access to MSL computers and servers is provided through ITSD Citrix terminal services or the ITSD maintained Virtual Private Network service. Permission for remote access is granted by the State Library Security Officer. Access is documented with the State by the State Library Network Administrator at <http://mine.mt.gov/it/citrixrequest/>.

### **Public Access Computers**

- MSL provides public access computers in the Reading Room that provide Internet Access and Open Office applications.
- Users are required to complete a login screen before they can use the computers.
- Internet access is via a ITSD maintained “guest” wireless service.
- Computers are equipped with Deep Freeze software that removes any saved files or downloaded software whenever the computer is turned off.
- Public users are required to follow the Montana State Library Public Computer User Guidelines. [http://msl.mt.gov/About\\_MSL/policies/06\\_pubacccompuse.pdf](http://msl.mt.gov/About_MSL/policies/06_pubacccompuse.pdf)

### **Indirect Cost Recovery**

Federal Indirect Cost Rate: IMLS/LSTA (20 U.S.C. 9132(a)) **4% cap**

Private Funds (When allowed): **4% rate**

Reviewed by Program Managers: January, 2014

Reviewed by Jennie and incorporated her changes 1/30/14.

Reviewed by Sarah and incorporated her changes 2/5/14.

Reviewed by Evan and incorporate his changes 2/18/14.

Reviewed by Jim Kammerer, Christie Briggs, Ken Adams, Stu Kirkpatrick 3/06/14.