

## Accounting for Public Funds

### Initial Question from librarian

It's budget time and I was trying to find any reference to funds collected and dispersed by Friends of the Library groups. We have always had our Friends pay vendors directly – do these funds have to be run through the county??

### Response from Bob Cooper, May 20, 2010

I would say it is not good practice to have obligations invoiced in the name of the library handled by outside groups, even if they have a 501c3. Having the funds donated to the library, deposited in the library accounts, and payments tracked through the local government accounting system would provide a much safer audit trail.

Why you ask? Consider a couple of not so unusual possibilities that have befallen other non-profits in Montana in recent years? If a library bill were to go unpaid, and interest or late payment charges or collections activity resulted, who is responsible? If a friend's member embezzled funds and several library bills were involved in the deception, what would that mean in regard to the Board's fiduciary responsibilities?

If the friends group decides to order something for the library on its own (hopefully with the blessing of the director), is billed for it, pays the bill, and then turns the item(s) over to the library as a donation, that would be OK.

If the friends group is accepting donations in the name of supporting the library and does not have a 501c3 they have an obligation to inform donors that gifts made to the friends are not tax deductible. I cannot help but wonder whether the friends' checking account is registered at the bank under the SS# of an individual?

Local government cutting funding because friends and foundations help the library in a legal and appropriate manner is a reality that should not happen. Local citizen advocates must issue an outcry against such practice. However, the threat of cuts does not justify less than prudent handling of fiscal matters by the library.

### Initial Question from librarian

Can the library legally set up it's own checking account, separate from any city accounts in order to handle fees and fines?

### Response from Bob Cooper, September 15, 2008

A separate non-city library checking account for handling copy machine fees and book fines is another less than good idea. I suggested that in due time, but in a relatively timely manner, she work the local politics and get monies coming directly to the library into city-monitored (not controlled) accounts which would be subject to appropriate governmental audit.