



**Auditor of State
Betty Montgomery**

**LAW LIBRARY ASSOCIATION
LAWRENCE COUNTY**

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**Auditor of State
Betty Montgomery**

Law Library Association
Lawrence County
111 S. 4th Street
Ironton, Ohio 45638

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

December 20, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Law Library Association
Lawrence County
111 S. 4th Street
Ironton, Ohio 45638

To the Board of Trustees:

We have audited the accompanying financial statements of the general fund and the retained monies fund of the Law Library Association, Lawrence County, Ohio (the Library), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements present only the general fund and the retained monies fund and do not intend to present fairly the financial position or results of operations of all of the Library's funds.

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements for 2004. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the year ended December 31, 2004 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2004, or its changes in financial position for the year then ended.

Also in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of the Library's general fund and the retained monies fund as of December 31, 2004 and 2003, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the year ended December 31, 2004. The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2005 on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

December 20, 2005

**LAW LIBRARY ASSOCIATION
LAWRENCE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PUBLIC FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Lawrence County Municipal Court	\$60,109	\$	\$60,109
Treasurer Lawrence County - Liquor	208		208
Treasurer Lawrence County - Ironton Municipal Court	6,767		6,767
City of Ironton	39,027		39,027
Municipal Court - Criminal Division	5,500		5,500
Clerk of Courts	599		599
Juvenile Court	1,151		1,151
Probate Court	1,434		1,434
Copies	237		237
Rules	326		326
Miscellaneous Receipts	863		863
	<hr/>		<hr/>
Total Cash Receipts	116,221	0	116,221
	<hr/>		<hr/>
Cash Disbursements:			
Supplies	995		995
Books / Publishers	89,310		89,310
Telephone / AT&T	2,851		2,851
Insurance	1,978		1,978
Equipment and Maintenance	27,238		27,238
Salaries	12,691		12,691
	<hr/>		<hr/>
Total Cash Disbursements	135,063	0	135,063
	<hr/>		<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(18,842)	0	(18,842)
	<hr/>		<hr/>
Other Financing Receipts/(Disbursements):			
Remittance to Retained Funds	(1,399)	1,399	0
	<hr/>		<hr/>
Total Other Financing Receipts/(Disbursements)	(1,399)	1,399	0
	<hr/>		<hr/>
Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(20,241)	1,399	(18,842)
	<hr/>		<hr/>
Public Fund Cash Balances, January 1	35,518	15,443	50,961
	<hr/>		<hr/>
Public Fund Cash Balances, December 31	<u>\$15,277</u>	<u>\$16,842</u>	<u>\$32,119</u>
	<hr/>		<hr/>
Reserves for Encumbrances, December 31	<u>\$13,244</u>	<u>\$0</u>	<u>\$13,244</u>
	<hr/>		<hr/>

The notes to the financial statements are an integral part of this statement.

**LAW LIBRARY ASSOCIATION
LAWRENCE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PUBLIC FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	General Fund	Retained Monies Fund	Totals (Memorandum Only)
Cash Receipts:			
Lawrence County Municipal Court	\$71,898	\$	\$71,898
Treasurer Lawrence County - Liquor	285		285
Treasurer Lawrence County - Ironton Municipal Court	9,478		9,478
City of Ironton	33,599		33,599
Municipal Court - Criminal Division	5,500		5,500
Clerk of Courts	1,229		1,229
Juvenile Court	1,250		1,250
Probate Court	1,146		1,146
Copies	640		640
Rules	253		253
Miscellaneous Receipts	76		76
	<hr/>		<hr/>
Total Cash Receipts	125,354	0	125,354
Cash Disbursements:			
Supplies	2,419		2,419
Books / Publishers	70,395		70,395
Telephone / AT&T	2,494		2,494
Insurance	2,940		2,940
Equipment and Maintenance	6,754		6,754
Audit	3,416		3,416
Salaries	9,867		9,867
Miscellaneous	15		15
	<hr/>		<hr/>
Total Cash Disbursements	98,300	0	98,300
	<hr/>		<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	27,054	0	27,054
	<hr/>		<hr/>
Public Fund Cash Balances, January 1	8,464	15,443	23,907
	<hr/>		<hr/>
Public Fund Cash Balances, December 31	\$35,518	\$15,443	\$50,961
	<hr/> <hr/>		<hr/> <hr/>
Reserves for Encumbrances, December 31	\$26,311	\$0	\$26,311
	<hr/> <hr/>		<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

**LAW LIBRARY ASSOCIATION
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Law Library Association (the Library) is governed by a board of seven trustees. Members of the Lawrence County Bar Association annually elect the board members. The Library provides access to all county officers and the judges of the several courts within the county.

The Library operates by receiving a portion of fine and forfeiture monies from the courts (and any associated interest) under Ohio Revised Code (ORC) §§ 3375.50 to .53, inclusive. ORC § 3375.54 authorizes the Library to disburse funds to purchase, lease or rent lawbooks; computer communications consoles to access a system of computerized legal research; microfilm materials and equipment, videotape materials and equipment; audio or visual materials and equipment; and other services, materials, and equipment that provide legal information or facilitate legal research.

ORC §3375.49 requires the Lawrence County Commissioners to provide adequate facilities for the Library, including suitable bookcases, heating and lighting for the rooms.

The Board of Trustees hires a librarian and not more than two assistant law librarians. The Judges of the Court of Common Pleas of Lawrence County fix these librarians' compensation pursuant to ORC § 3375.48. If the Library provides free access to all county officers and the judges of the several courts, the County treasury pays the librarians' salary. If the Library does not provide free access, the Library must pay the librarians' salary.

The Library's management believes these financial statements present all public funds for which the Library is financially accountable.

The Library deems some funds it receives as private monies. Private monies include: membership dues, overdue book charges, and photocopying charges. Fees the Library collects for the use of books and copiers remain private even though the books and copiers may have been purchased with public funds. The Library need not comply with ORC § 3375.54 when disbursing private money. The accompanying financial statements do not present private monies.

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. The Reserve for Encumbrances on the financial statements represent the Library's commitments for purchases. The Library recognizes encumbrances when it commits funds.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**LAW LIBRARY ASSOCIATION
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments

There were no investments held by the Library during the audit period.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

1. General Fund

The General Fund accounts for all financial resources except those required to be accounted for in another fund.

2. Retained Monies Fund

Retained Monies Fund reports funds the Library retains under Ohio Revised Code § 3375.56. At the end of each calendar year the Library may retain up to ten percent of their unencumbered balance.

E. Budgetary Process

The Ohio Revised Code does not require the Library to budget annually. However, under Ohio Revised Code § 3375.56 the Library may encumber funds equal to their commitments outstanding at year end. Encumbrances outstanding at year end are carried over to the subsequent year.

F. Property, Plant, and Equipment

The Library records disbursements for equipment acquisitions when paid. The accompanying financial statements do not report these items as assets. The Library deems computers, copiers, fax machines, and other items related toward facilitating the use of equipment as equipment.

G. Refund to Relative Income Sources

If certain conditions are met, Ohio Revised Code § 3375.56 requires the Library to refund at least ninety percent of any *unencumbered* balance to political subdivisions that provided revenues to the Library. See Footnote 2 for additional information.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, or results of operations in conformity with the Library's accounting basis. Neither is such data comparable to a consolidation. The Library does not eliminate interfund transactions when aggregating this data.

**LAW LIBRARY ASSOCIATION
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. REFUND TO RELATIVE INCOME SOURCES AND AMOUNT RETAINED

In any year that receipts exceed disbursements, the Library refunds at least ninety percent of the unencumbered balance to the political subdivisions who provided the funds and retains the remainder. Ohio Revised Code § 3375.56 requires this "refund to relative income sources." No unencumbered balance existed at December 31, 2002. Therefore, no amounts were refunded or retained during 2003. The following table presents the refunded and retained amounts during 2004.

Unencumbered Balance at December 31, 2003 Refunded and Retained During Calendar Year 2004	
Unencumbered Balance at December 31, 2003	\$9,207
Less: Receipts received twice in error (See Finding # 2004-002)	(6,308)
Add: Unallowed Expenditures (Compensation) - (See Finding 2004-001)	11,088
2003 Excess of Receipts over Expenditures	13,987
*Refund Due to Relative Sources during 2004	12,588
Retained Funds Amount during 2004	\$1,399

*The amount disclosed above as "Refund Due to Relative Sources during 2004" was not refunded contrary to Ohio Revised Code § 3375.56. (See Finding Number 2004-003.)

3. EQUITY IN POOLED CASH

The Library maintains a cash pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 follows:

	2004	2003
Demand deposits	\$32,119	\$50,961

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

4. RISK MANAGEMENT

Commercial Insurance

The Law Library Association has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Public officials' liability

Commercial health insurance is provided to employees of the Library through Lawrence County in the same manner as county department employees.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Law Library Association
Lawrence County
111 S. 4th Street
Ironton, Ohio 45638

To the Board of Trustees:

We have audited the financial statements of the Law Library Association, Lawrence County, Ohio (the Library), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 20, 2005, wherein we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also disclosed the financial statements include only the general fund and the retained monies fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Library's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2004-001 and 2004-004 through 2004-006.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Library's management dated December 20, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-003. In a separate letter to the Library's management dated December 20, 2005, we reported an other matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 20, 2005

**LAW LIBRARY ASSOCIATION
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Finding for Recovery/Noncompliance Citation/Reportable Condition

Ohio Rev. Code Section 3375.48 provides that the compensation of a law librarian and not more than two assistants shall be paid from the county treasury.

The Lawrence County Law Library Association employs a Law Librarian and two assistants. During 2003 and 2004, the Lawrence County Law Library Association remitted monies to Lawrence County to pay for a portion of the salaries and health insurance of the Assistant Law Librarians. The County appropriated funds to pay the salaries of the Law Librarian and assistants. However, the amount appropriated was not sufficient to cover the entire costs of the salaries and related benefits of the Law Librarian and two assistants. Instead, the amounts remitted to the County by the Law Library Association were based on the salaries of the Law Librarian and Assistant Law Librarians less the amount appropriated by the Lawrence County Commissioners.

We reviewed the documentation provided to support the amount remitted for salaries in 2003. The documentation provided included a calculation by the County Auditor's Office of the amount of salaries remaining to be paid after the October 10, 2003 payroll for each of the employees, as well as the deficit balance of the Appropriations for the Law Library Salaries. These amounts were added together to determine the amount that the Law Library needed to remit to the County to cover the salaries. A similar calculation was prepared in 2004.

We reviewed the Law Library Association's cashbook for 2003 and 2004. During 2003, \$9,867.36 was paid to Lawrence County for salaries, and \$2,189.68 was paid to Lawrence County to cover a portion of the cost of health insurance coverage for a total of \$12,057.04. Additionally, during 2003, the Law Library Association received private monies amounting to \$969.41 which could be used for compensation, resulting in net unallowed costs of \$11,087.63 for salaries and related benefits. During 2004, \$12,691.23 was paid to Lawrence County for salaries, and \$1,225.52 was paid to Lawrence County to cover a portion of the cost of health insurance coverage for a total of \$13,916.75. Additionally, during 2004, the Law Library Association received private monies amounting to \$1,426.27 which could be used for compensation, resulting in net unallowed costs of \$12,490.48. Thus, the Law Library Association incurred total costs of \$25,973.79 for the compensation and related benefits of the Assistant Law Librarians during 2003 and 2004, however, the Law Library Association received private monies amounting to \$2,395.68 during 2003 and 2004 which could be used for compensation. Therefore, the total costs incurred for compensation and related benefits of \$25,973.79 as paid to the County are offset by the \$2,395.68 in private monies. As a result, the net amount of the public monies of the Law Library Association used for compensation and related benefits of the Assistant Law Librarians was \$23,578.11.

The Law Library Association has indicated that these amounts remitted to the County are to cover the salaries of the Assistant Law Librarians for functions they perform in addition to their duties as Assistant Law Librarians. However, documentation provided does not support that the amounts paid to Lawrence County were directly related to the duties performed. The amounts remitted appear to be the difference between the salaries set by the Court and the appropriations adopted by the County Commissioners. There was no documentation of the amount of time spent on specific additional duties to support the amounts paid by the Law Library Association.

**LAW LIBRARY ASSOCIATION
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2004-001 (Continued)

Finding for Recovery/Noncompliance Citation/Reportable Condition (Continued)

We recommend the Law Library Association review the limitation of Ohio Rev. Code Section 3375.54 and restrict the use of its public funds to those allowed under this statute. If the Law Library Association intends to compensate the Assistant Law Librarians for functions performed in addition to those of assistant law librarians, the Law Library Association should approve a separate salary and maintain documentation to substantiate that the additional amounts paid were for the additional functions performed.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies due but not collected is hereby issued against Lawrence County in the amount of twenty-three thousand five hundred seventy-eight dollars and eleven cents (\$23,578.11) and in favor of the Law Library Association.

This matter will be referred to the Lawrence County Prosecutor and the Ohio Office of the Attorney General for whatever action is deemed appropriate.

FINDING NUMBER 2004-002

Finding for Recovery – Repaid Under Audit

Testing of receipts from the Lawrence County Municipal Court for 2003 revealed that Lawrence County remitted the court costs for the month of October, 2003 in the amount of \$6,307.80 twice in error. The costs were remitted the first time via county warrant number 263805 dated December 3, 2003. The costs were remitted a second time via county warrant number 263957 dated December 4, 2003. As a result, the Law Library Association received monies that were not due to it.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies due but not collected is hereby issued against the Law Library Association, Lawrence County in the amount of six thousand three hundred seven dollars and eighty cents (\$6,307.80) and in favor of Lawrence County.

This finding was repaid by the Library on September 8, 2005.

FINDING NUMBER 2004-003

Finding for Recovery

Ohio Rev. Code Section 3375.48 provides that the compensation of a law librarian and not more than two assistants shall be paid from the county treasury.

Ohio Rev. Code Section 3375.54 provides that the money that is paid to the board of trustees of a law library association under sections 3375.50 to 3375.53 of the Revised Code shall be expended in the support and operation of the law library association and in the purchase, lease, or rental of lawbooks, a computer communications console that is a means of access to a system of computerized legal research, microform materials and equipment, videotape materials and equipment, audio or visual materials and equipment, and other services, materials, and equipment that provide legal information or facilitate legal research.

**LAW LIBRARY ASSOCIATION
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2004-003 (Continued)

Finding for Recovery (Continued)

Several Ohio Attorney General Opinions have addressed this issue. The universal conclusion is that an expenditure of funds by an LLA pursuant to ORC Section 3375.54 is proper only if it is an expenditure that is not specified to be paid pursuant to ORC Section 3375.48. See e.g., OAG Opinion 88-104. The compensation of the law librarian is expressly provided for in Ohio Rev. Code Section 3375.48 and thus may not be paid under Ohio Rev. Code Section 3375.54 but must be paid from the county treasury. Furthermore, Auditor of State Bulletin 2004-007 states that if an LLA pays for items the county should provide per Ohio Rev. Code Section 3375.49, or pays salaries contrary to Ohio Rev. Code Section 3375.48, the Auditor of State will issue Findings for Recovery against the LLA.

Ohio Rev. Code Section 3375.56 states that on the first Monday of each year, the board of trustees of the law library association shall make a detailed statement to the county auditor, verified by the oath of the treasurer of the association, of the amount of the fines and penalties received under Sections 3375.50 to 3375.53, inclusive of the Revised Code, and of the money expended by the association.

If the total amount received under such sections during the preceding calendar year covered by such report exceeds the expenditures during the same period, the auditor shall certify such fact to the board which shall thereupon direct the treasurer of the association to refund proportionately to the treasurers of the political subdivisions from which such balance was received, not less than ninety percent of any unencumbered balance on hand from the preceding year.

During 2003 and 2004, the Law Library Association remitted monies to Lawrence County to pay for a portion of the salaries and Health Insurance of the Assistant Law Librarians. The amounts remitted to the County were based on the salaries of the Law Librarian and Assistant Law Librarians and the amount appropriated by the Lawrence County Commissioners. These expenditures were determined to be unallowable and as a result, a finding for recovery in the amount of \$23,578.11 was issued and is disclosed above as finding 2004-001.

The Law Library Association did not use purchase orders for encumbering monies or record keeping purposes. Without the use of purchase orders, monies are not effectively encumbered. This may allow expenditures to be made with insufficient funds. Additionally, the Law Library Association reported that the remaining balance on each Annual Report for 2003 and for 2004 was encumbered. However, the Law Library Association did not have a list of the encumbrances and did not use encumbrance accounting throughout the year.

The 2003 Annual Report filed with the County Auditor did not disclose an amount for encumbrances. Rather, there was a statement on the Annual Report that stated, "Money has been encumbered for Shepard's, Westlaw, Copier, and new hardware and software on server." There was no disclosure regarding encumbrances on the 2004 Annual Report filed with the County Auditor. Additionally, there was no actual amount of the encumbrances listed on the Annual Reports for 2003 or 2004 to enable the County Auditor to determine the unencumbered balance.

**LAW LIBRARY ASSOCIATION
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2004-003 (Continued)

Finding for Recovery (Continued)

Based on the audit testing performed, it was determined that the Law Library Association received monies under sections 3375.50 to 3375.53 of the Revised Code in excess of allowable expenditures in 2003. The situation discussed in the paragraph above and in finding 2004-001 contributed to this excess. According to Ohio Rev. Code Section 3375.56, the excess of the receipts over the expenditures were proportionately due the political subdivisions that originally paid them to the Law Library Association. This amount, as calculated below, was not properly refunded by the Law Library Association.

	2004	2003
Total Receipts from Fines, Penalties, etc.	\$114,793.76	\$118,076.87
*Total allowable Expenditures	108,078.41	104,090.02
Excess of Receipts Over Expenditures	<u>\$6,715.35</u>	<u>\$13,986.85</u>
Amount to be Retained (10%)	\$671.54	\$1,398.69
Amount to be Refunded (90%)	6,043.81	12,588.16
Refund Amount Due to Lawrence County (61.21% and 66.89%)	3,699.49	8,419.86
Refund Amount Due to the City of Ironton (38.79% and 33.11%)	2,344.32	4,168.30
Total Refunds Due to Political Subdivisions	<u>\$6,043.81</u>	<u>\$12,588.16</u>
<i>* Calculation of Allowable Expenditures:</i>		
Total Disbursements	\$135,061.91	\$98,300.33
Add: Outstanding Encumbrances at end of year	13,243.98	26,310.73
Less: Outstanding Encumbrances at beginning of year	(26,310.73)	(8,464.00)
Less: Unallowed Salaries Payments	(12,691.23)	(9,867.36)
Less: Unallowed Benefits Payments	(1,225.52)	(2,189.68)
Total Allowable Expenditures	<u>\$108,078.41</u>	<u>\$104,090.02</u>

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies due but not collected is hereby issued against the Law Library Association in the amount of twelve thousand one hundred nineteen dollars and thirty-five cents (\$12,119.35) and in favor of Lawrence County, Ohio, and in the amount of six thousand five hundred twelve dollars and sixty-two cents (\$6,512.62) and in favor of the City of Ironton, Ohio.

This matter will be referred to the Lawrence County Prosecutor and the Ohio Office of the Attorney General for whatever action is deemed appropriate.

**LAW LIBRARY ASSOCIATION
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2004-004

Reportable Condition – Timely Posting and Depositing of Receipts

Receipts of the Law Library Association were not recorded or deposited timely. Of the receipts from the City of Ironton selected for testing for 2003 and 2004, 75% and 27.3% respectively were not timely recorded and/or deposited. Of the receipts from Lawrence County selected for testing for 2003 and 2004, 35.8% and 7.9% respectively were not timely recorded and/or deposited. We noted four instances in 2004 in which the date of the check from Lawrence County was more than six months prior to the receipt and deposit date, with one that was almost nine months after the date of the check. Failure to record and deposit receipts timely increases the susceptibility of theft and/or loss of the receipts. Further, such practices could result in receipts not being recorded in the proper period.

We recommend all receipts be recorded in the cashbook and deposited timely. Receipts should be recorded when received and deposited by the next business day following the day of receipt. This would result in more accurate financial reporting and increased physical safeguard of the Law Library Association's receipts.

FINDING NUMBER 2004-005

Reportable Condition – Duplicate Payment of Invoices

Sound internal controls should include procedures to prevent duplicate payments of obligations. Our testing of the disbursements of the Law Library Association revealed that as a result of the late payments of the numerous bills and invoices, the Law Library Association inadvertently duplicated payments of numerous invoices totaling more than \$20,000. However, a review of documentation provided by the vendor revealed that the vendor had applied the duplicated payments to other invoices in such a manner that the Law Library Association did not actually pay for an invoice more than one time.

A review of the situation revealed that the duplicate payments were the result of the Law Library Association regularly paying invoices late. As a result, the vendors would periodically send statements to the Law Library listing the overdue invoices. Since many of the invoices were more than ninety days past due, the Law Library Association received multiple statements with the same invoices included. As a result, when payments were made for some of these statements the supporting documentation attached to the vouchers sometimes included the same invoice numbers for more than one payment. The late payments as well as not including the actual invoice as supporting documentation contributed to this situation.

We recommend the Law Library Association attach copies of the actual invoices to the vouchers in support of the payments made. The invoices should be initialed and dated and include the check number when the payment is made. We further recommend that payments be made timely. Such activities could help to ensure that the Law Library Association does not duplicate payments of invoices.

**LAW LIBRARY ASSOCIATION
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2004-006

Reportable Condition – Timely Payments of Obligations

During the testing of disbursements, we noted that 34 percent of the transactions selected for testing were paid late. Many of the invoices were more than 90 days past due as indicated on the statements. We further noted that as a result of the late payments of the obligations, the Law Library Association incurred late payment charges of more than \$350 during the audit period.

We recommend the Law Library Association pay the invoices/bills in a timely manner to avoid possible service interruptions and additional incurred costs in the form of late fees/penalties.



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LAW LIBRARY ASSOCIATION

LAWRENCE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 9, 2006**