



Dave Yost • Auditor of State

EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

East Cleveland Public Library
Cuyahoga County
14101 Euclid Avenue
East Cleveland, Ohio 44112

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of East Cleveland Public Library, Cuyahoga County, (the Library) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Library's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Library prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Library does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of East Cleveland Public Library, Cuyahoga County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

June 29, 2015

CUYAHOGA COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>All Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Other Local Taxes	\$ 927,956	\$	\$	\$	\$927,956
Library and Local Government Support	1,276,011				1,276,011
Intergovernmental	188,717				188,717
Patron Fines and Fees	18,640				18,640
Contributions, Gifts and Donations	2,887				2,887
Earnings on Investments	266				266
Miscellaneous	90,459				90,459
	<hr/>				<hr/>
Total Cash Receipts	2,504,936				2,504,936
	<hr/>				<hr/>
Cash Disbursements:					
Current:					
Library Services	2,340,569				2,340,569
Total Cash Disbursements	2,340,569				2,340,569
	<hr/>				<hr/>
Excess of Receipts Over/(Under) Disbursements	164,367				164,367
	<hr/>				<hr/>
Fund Cash Balance, January 1	672,413	2,938	52,635	3,792	731,778
	<hr/>				<hr/>
Fund Cash Balances, December 31					
Nonspendable		2,938			2,938
Restricted			52,635		52,635
Committed				3,792	3,792
Assigned	836,780				836,780
	<hr/>				<hr/>
Fund Cash Balances, December 31	\$836,780	\$2,938	\$52,635	\$3,792	\$896,145
	<hr/> <hr/>				<hr/> <hr/>

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

**EAST CLEVELAND PUBLIC LIBRARY
 CUYAHOGA COUNTY
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2012**

	All Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash Receipts:					
Property and Other Local Taxes	\$ 988,900	\$	\$	\$	\$988,900
Library and Local Government Support	1,247,566				1,247,566
Intergovernmental	204,888				204,888
Patron Fines and Fees	4,212				4,212
Services Provided to Other Entities	141				141
Contributions, Gifts and Donations	1,085				1,085
Earnings on Investments	708				708
Miscellaneous	23,966				23,966
Total Cash Receipts	2,471,466				2,471,466
Cash Disbursements:					
Current:					
Library Services	2,073,530				2,073,530
Total Cash Disbursements	2,073,530				2,073,530
Excess of Receipts Over/(Under) Disbursements	397,936				397,936
Other Financing Receipts (Disbursements):					
Transfers In			50,000		50,000
Transfers Out	(50,000)				(50,000)
Sale of Capital Assets	26,740				26,740
Total Other Financing Receipts (Disbursements)	(23,260)		50,000		26,740
Net Change in Fund Cash Balances	374,676		50,000		424,676
Fund Cash Balance, January 1	297,737	2,938	2,635	3,792	307,102
Fund Cash Balances, December 31					
Nonspendable		2,938			2,938
Restricted			52,635		52,635
Committed				3,792	3,792
Assigned	672,413				672,413
Fund Cash Balances, December 31	\$672,413	\$2,938	\$52,635	\$3,792	\$731,778

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

**EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the East Cleveland Public Library, Cuyahoga County, (the Library) as a body corporate and politic. The East Cleveland City School District's Board of Education appoints a seven-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

The Friends of East Cleveland Public Library is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the Library.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Library's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

STAR Ohio is recorded at share values the mutual fund reports.

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 and reports all financial resources not accounted for and reported in another fund.

**EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The only Special Revenue Fund is the Flewellen Fund which is used to account for the preservation and public display of the Icabod Flewellen collection.

3. Capital Projects Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The only Capital Project Fund is the Building and Repair Fund which is used to account for the acquisition, construction and repair of capital facilities.

4. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The only Permanent Fund is the Putnam Fund which is used to account for monies that were donated to the Library and are to be used for hospitality supplies.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and function level of control.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Library must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Library classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**EAST CLEVELAND PUBLIC LIBRARY
 CUYAHOGA COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013 AND 2012
 (Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Balance (Continued)

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

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

	<u>2013</u>	<u>2012</u>
Demand Deposits	\$279,910	\$304,744
Investments - Star Ohio	<u>616,235</u>	<u>427,034</u>
Total Demand Deposits and Investments	<u>\$896,145</u>	<u>\$731,778</u>

**EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. Equity in Pooled Deposits and Investments (Continued)

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

Investments: Investments in STAR Ohio is not evidenced by securities existing in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and December 31, 2010 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,193,412	\$2,504,936	\$311,524
Total	\$2,193,412	\$2,504,936	\$311,524

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,113,400	\$2,340,569	\$772,831
Total	\$3,113,400	\$2,340,569	\$772,831

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,662,985	\$2,498,206	(\$164,779)
Total	\$2,662,985	\$2,498,206	(\$164,779)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,386,400	\$2,123,530	\$262,870
Total	\$2,386,400	\$2,123,530	\$262,870

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund - Electricity by \$1,688 as of December 31, 2013. As of December 31, 2012, General Fund - Other-Purchased and Contracted Service budgetary expenditures exceeded appropriation authority by \$61,777.

**EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. Grants-In-Aid and Tax Receipts

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month. This method of distribution is called the "percentage of revenue" method. This method was not used for August 2011 through June 2013. During that 23 month period PLF received a designated percentage of the dollar amounts received by the fund during the corresponding month of the fiscal year 2011 "base-year" period. Effective July 2013 the statutory allocation method reverted to the "percentage of revenue" method for PLF distribution. The fund received an amount equal to a specified percentage of the amount of GRF tax revenue received during the previous month. Beginning with the July 2013 distribution the "statutory allocation method" was implemented. The calendar year 2013 entitlements were used in the computation as the basis of each county's allocation percentage. Those percentages were used through December 2013. In December 2013 the actual calendar year entitlement was computed. Any difference was adjusted evenly to the PLF distributions from January-June 2014. In calendar year 2014 the statutory entitlement computation method continued. Estimated entitlement figures were issued to County Auditors in July 2013, December 2013 and June 2014. The actual 2014 entitlements will be computed in December 2014. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June 2015.

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

5. Retirement System

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Library has paid all contributions required through December 31, 2013.

**EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Library also provides health insurance to full-time employees through a private carrier. The Library's liability is limited to the premiums it pays.

7. Contingent Liabilities

The Library is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Library's financial condition.



Dave Yost • Auditor of State

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

East Cleveland Public Library
Cuyahoga County
14101 Euclid Avenue
East Cleveland, Ohio 44112

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of East Cleveland Public Library, Cuyahoga County, (the Library) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 29, 2015 wherein we noted the Library followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Library's financial statements. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-002 described in the accompanying schedule of findings to be a significant deficiency.

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, opining 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 item 2013-002 through 2013-005.

Entity's Response to Findings

The Library's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Library's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

June 29, 2015

**EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2013-001
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Material Weakness

Cash balances include cash in bank accounts and other imprest accounts such as payroll. Cash is an asset that is very susceptible to embezzlement and is considered a high risk asset because of its liquidity and its desirability. In order for the cash to be properly monitored and accounted for, most entities perform monthly bank reconciliations. This reconciliation verifies the cash balance per the general ledger agrees to the adjusted balance per the bank statement.

The Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. This system includes controls which require the bank and book balances reconcile in order to closeout each month's financial activity. If the balances do not reconcile, the system does not allow the user to input the subsequent month's financial activity. Included in the UAN reconciliation is a line for "Other Adjusting Factors". This line is only to be used to post all adjustments other than outstanding checks and deposits-in-transit. Adjustments reported in this category are required to be properly supported.

The Library's books were not reconciled to the bank and investment accounts for 2012 and 2013. Also, on a monthly basis, unsupported adjustments were posted to UAN so the next month's financial activity could be posted. In order to correct this situation, the Library hired an Independent Public Accountant (IPA) to reconstruct the cash activity for 2012 and 2013. The results of the reconstruction are as follows:

For 2012:

- The UAN system reported a year end cash fund balance of \$490,384 but the actual balance was \$731,778, a difference of \$241,393.
- There were 45 adjustments needed to correct transactions that were either not booked or booked for an incorrect amount.
- The significant adjustments were unbooked receipts of \$190,109 and \$102,070 for public library receipts and intergovernmental receipts, respectively.
- A 2009 audit adjustment, reducing the fund balance by \$42,650, was not record in the UAN system.

For 2013:

- The UAN system reported a year end cash fund balance of \$912,743 but the actual balance was \$896,145, a difference of \$16,598.
- There were 48 adjustments needed to correct transactions that were either not booked or booked for an incorrect amount.
- The significant receipt adjustments were property taxes was overstated by \$737,377 and public library was understated by \$763,799. The significant expenditure adjustment was salaries were understated by \$192,220.

**EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2013-001
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(Continued)

We also identified the following adjustments and reclassifications to the reconciled activity.

For 2012:

- \$190,195 was reclassified from intergovernmental receipts to public library receipts.
- Some property tax receipts were posted at the net amount instead of the gross amount. This resulted in property taxes receipts and library services expenditures being understated by \$16,598.

For 2013:

- \$710,460 was reclassified from public library receipts to property and other local taxes receipts.
- \$188,717 was reclassified from public library receipts to intergovernmental receipts.
- \$1,351 was reclassified from public library receipts to patron fines and fees receipts.
- Property tax receipts settlements were posted at the net amount instead of the gross amount. This resulted in property taxes receipts and library services expenditures being understated by \$41,361.

The accompanying financial statements and accounting records reflect the correcting adjustments.

These weaknesses resulted in financial statements which did not report the actual cash fund balances and activity of the Library.

We recommend the books be reconciled to the bank and investment accounts on a monthly basis and any adjustments should be documented and maintained. Either the Director or a Board member should review and initial/date the reconciliations to ensure they are being performed timely. We also recommend that property tax receipts be posed at the gross amount and the deductions should be posted to the applicable expenditure code.

Library's Response

The Library is making every effort to properly classify all receipts and expenditures. Reconciliations are being performed monthly and are being reviewed by the Chairman of the Finance Committee and Executive Director. Property tax receipts are being recorded at gross and the proper deductions are being recorded appropriately.

**EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2013-002
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Significant Deficiency - Noncompliance - Finding For Recovery

The Library contracts with a service organization to process its payroll. All transactions processed through this organization include the appropriate tax and pension deductions and the net pay is deposited directly into the employee's designated account. The Library's staff summarizes the hourly employee's time worked from their timecard system report and submits it to the service organization for processing. In order to override a salaried employee's regular pay, both the actual hours worked and adjusted gross pay must be modified by the Library's staff prior to submission to the service organization.

On September 13, 2014, the Board of Trustees passed a resolution suspending Charlene Hollowell, the former Fiscal Officer, without pay for five days. The effective date of the suspension was Monday, September 22, 2014, through Friday, September 26, 2014. However, proper override steps were not performed by the Library's staff and the hours worked were changed to 40 but the gross salary was not changed to \$1,127. Both of these changes were required in order to modify the regular amount paid. The payroll register for the period ending September 27, 2014 indicated 40 hours was entered into the payroll system and her gross salary was \$2,254. As a result, she was overcompensated \$1,127. We also noted the Library's staff did not review reports of the hourly and salaried employee's time and compensation prior to submitting it to the service organization for processing.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby jointly and severally issued against the former Fiscal Officer, Charlene Hollowell, and her bonding company the Western Security Company, in the amount of \$1,127 and in favor of Library's General Fund.

We recommend Library's staff review the reports of the of the hourly and salaried employee's time and compensation they summarized prior to submitting it to the service organization for processing. When modifying an employee's regular pay, we also recommend the override procedures be reviewed and approved by someone other than the employee making the change in order to ensure the proper procedures were performed.

Library's Response

Internal control procedures are continually being reviewed and monitored to ensure that the Library's assets are monitored and controlled.

Finding Number	2013-003
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Noncompliance - Finding For Recovery

The Library contracts with a service organization to process its payroll. All transactions processed through this organization include the appropriate tax and pension deductions and the net pay is deposited directly into the employee's designated account.

Effective April 2007, the Board of Trustees formally adopted policies on employee sick leave and vacation benefits which included the accrual of time and the conversion of unused time.

**EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2013-003
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(Continued)

Sick Leave

Section 312 Sick Leave Benefits, provision J, states “Unused sick leave benefits will not be paid to employees while they are employed or upon termination.”

According to the payroll earnings statement for the pay period ending September 13, 2014, the former Fiscal Officer, Charlene Hollowell, was compensated \$6,761 for 240 hours of sick leave. Since the Library’s policy prohibits employees from being compensated for unused sick leave she was overcompensated \$6,761. Furthermore, she received this compensation while still an employee of the Library.

The payroll earnings statements also indicated \$676 was deducted for OPERS contributions since it was processed as a regular payroll transaction. However, this deduction is not applicable to this type of service compensation.

On September 24, 2014, the former Fiscal Officer issued manual check number 26970 to herself in the amount of \$984. The notation on the check indicated it was for “OPERS”. This is \$308 (\$984-\$676) more than what was deducted for the pension deduction. The endorser and endorsee on the check was the former Fiscal Officer while the Library’s policies require dual signatures on all checks.

Based on these facts, the former Fiscal Officer was overpaid \$7,745 (\$6,761+\$984) for unused sick leave benefits.

Vacation

Section 303 Vacation Benefits, states the following:

- B.2 An employee must work for one (1) full year to be granted vacation leave.
- B.3 On the first anniversary of employment an employee who begins work after January 1 will be granted the prorated amount of vacation earned in the previous calendar year.

Section 303, provision F, provides that after one year of service time a para-professional is entitled to 10 days (80 hours) of vacation time.

The former Fiscal Officer started employment at the Library on December 27, 2012 and was terminated on September 26, 2014. Therefore, she was entitled to 10 days (80 hours) of vacation on December 27, 2013 and would not have earned additional vacation time prior to her termination.

According to the payroll earnings statements for the pay period ending September 13, 2014, she was compensated twice for her unused vacation time. One statement indicated she was compensated \$2,254 for 80 hours of unused vacation time and another statement indicated she was compensated \$1,127 for 40 hours.

The payroll earnings statements also indicated \$225 and \$112 was deducted for OPERS contributions since it was processed as a regular payroll transaction. However, these deductions are not applicable to this type of service compensation.

**EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2013-003
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(Continued)

On September 26, 2014, the former Fiscal Officer issued manual check number 26970 to herself in the amount of \$337. The notation on the check indicated it was for "OPERS 225 + 112". These notation amounts agreed to the OPERS deductions for her vacation benefits. The endorser and endorsee on the check was the former Fiscal Officer while the Library's policies require dual signatures on all checks.

Based on these facts, the former Fiscal Officer was overcompensated \$1,464 (\$1,127+\$337) for unused vacation benefits.

Based on the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby jointly and severally issued against the former Fiscal Officer, Charlene Hollowell, and her bonding company the Western Security Company, in the amount of \$9,209 (\$7,745+\$1,464) and in favor of Library's General Fund.

Library's Response

Internal control procedures are continually being reviewed and monitored to ensure that the Library's assets are monitored and controlled.

Finding Number	2013-004
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Noncompliance - Finding For Recovery

In order for an expenditure of public monies to be allowable, it must constitute a proper public purpose and it must be properly documented and supported so that determination can be made.

On September 13, 2014, the Board of Trustees passed a resolution suspending Charlene Hollowell, the former Fiscal Officer, without pay for five days. The effective date of the suspension was Monday, September 22, 2014, through Friday, September 26, 2014.

On September 19, 2014, check number 42138, was written to the former Fiscal Officer, Charlene Hollowell, in the amount of \$981. No support for the expenditure could be located and the endorser and endorsee on the check was the former Fiscal Officer while the Library's policies require dual signatures on all checks. As a result, a determination cannot be made as to whether the expenditure is allowable.

Based on the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby jointly and severally issued against the former Fiscal Officer, Charlene Hollowell, and her bonding company the Western Security Company, in the amount of \$981 and in favor of Library's General Fund.

Library's Response

Internal control procedures are continually being reviewed and monitored to ensure that the Library's assets are monitored and controlled.

**EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2013-005
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Material Noncompliance

Ohio Admin. Code 117-8-02 requires the library's legislative body adopt appropriation measures in order to establish the legal level of control and prohibits spending in excess of the budgeted amounts.

For 2012, we tested five line item appropriations in the General Fund and noted Other-Purchased and Contracted Service had expenditures of \$291,777 and appropriations of only \$230,000, a difference of \$61,777.

For 2013, we tested five line item appropriations in the General Fund and noted Electricity had expenditures of \$76,688 and appropriation of only \$75,000, a difference of \$1,688.

These weaknesses may result in cash fund deficits and the Library spending more than their available resources.

We recommend the Board and management monitor total appropriations with expenditures plus encumbrances on a monthly basis.

Library's Response

Established appropriations are reviewed by Administration and the Board on a monthly basis. Adjustments to appropriations are made to ensure that spending does not exceed appropriated limits and these adjustments are presented by the Fiscal Officer to the Finance Committee to the full Board as necessary.

**EAST CLEVELAND PUBLIC LIBRARY
 CUYAHOGA COUNTY
 SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2013 AND DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Numerous adjustments had to be made to the accounting records and financial statements from posting errors and others reconciling items that were not detected by the Library when performing the bank reconciliations.	No	Not Corrected, repeated as finding 2013-001.
2011-02	Expenditures plus encumbrances exceeded appropriations, contrary to Ohio Admin. Code 117-8-02.	No	Not Corrected, repeated as finding 2013-005.

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Dave Yost • Auditor of State

EAST CLEVELAND PUBLIC LIBRARY

CUYAHOGA 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
JULY 30, 2015**