



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Brown Memorial Library
Preble County
101 South Commerce Street
PO Box 640
Lewisburg, Ohio 45338

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of Brown Memorial Library (the Library) and the Auditor of State, on the receipts, disbursements and balances recorded in the Library's cash basis accounting records for the years ended December 31, 2017 and 2016 and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the Library. The Library is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2017 and 2016 and certain compliance requirements related to these transactions and balances included in the information provided to us by the Library. The sufficiency of the procedures is solely the responsibility of the parties specified in this report.

Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash

1. We recalculated the December 31, 2017 and December 31, 2016 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2016 beginning fund balances recorded in the Cash Journal to the December 31, 2015 balances in the documentation in the prior year Agreed-Upon Procedures working papers. We found no exceptions. We also agreed the January 1, 2017 beginning fund balances recorded in the Cash Journal to the December 31, 2016 balances in the Cash Journal. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2017 and 2016 fund cash balances reported in the Fund Balance Statement. The amounts agreed.
4. We confirmed the December 31, 2017 bank account balances with the Library's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2017 bank reconciliation without exception.
5. We selected all reconciling debits (such as outstanding checks) from the December 31, 2017 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
 - b. We traced the amounts and dates to the Cash Journal, to determine the debits were dated prior to December 31. There were no exceptions.

Public Library Fund Receipts

We haphazardly selected two Public Library Fund (PLF) receipts from the Statement of Semi-Annual Apportionment of Taxes reports from 2017 and two from 2016.

- a. We compared the amount from the Statement of Semi-Annual Apportionment of Taxes reports to the amount recorded in the Cash Journal. The amounts agreed.
- b. We inspected the Cash Journal and observed these receipts were posted to the General Fund. We found no exceptions.
- c. We inspected the Cash Journal and observed the receipts were recorded in the proper year. We found no exceptions.
- d. We inspected the Cash Journal to determine whether it included one PLF receipt per month for 2017 and 2016. We found no exceptions.

Property Taxes, Intergovernmental and Other Confirmable Cash Receipts

1. We haphazardly selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2017 and one from 2016:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Cash Journal. The amounts agreed.
 - b. We inspected the Cash Journal to confirm whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We inspected the Cash Journal to determine whether it included two real estate tax receipts for 2017 and 2016. The Cash Journal included the proper number of tax receipts for each year.

Debt

1. The prior agreed-upon procedures documentation disclosed no debt outstanding as of December 31, 2015.
2. We inquired of management, and inspected the Cash Journals for evidence of debt issued during 2017 or 2016 or debt payment activity during 2017 or 2016. There were no new debt issuances, nor any debt payment activity during 2017 or 2016.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2017 and one payroll check for five employees from 2016 from the Cash Journal and:
 - a. We compared the hours and pay rate, or salary recorded in the Payroll Statements to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
 - b. We recomputed gross and net pay and agreed it to the amount recorded in the payroll register. We found no exceptions.
 - c. We inspected the fund and account code to which the check was posted to determine the posting was reasonable based on the employees' duties as documented in the minute record. We also confirmed the payment was posted to the proper year. We found no exceptions.
2. For any new employees selected in procedure 1 we inspected the employees' personnel files and minute record for the following information and compared it with the information used to compute gross and net pay related to this check:
 - a. Name
 - b. Authorized salary or pay rate
 - c. Department and fund to which the check should be charged

- d. Retirement system participation and payroll withholding
- e. Federal, State & Local income tax withholding authorization and withholding
- f. Any other deduction authorizations (deferred compensation, etc.)

We found no exceptions related to procedures a. – f. above.

3. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2017 to confirm remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period of 2017. We observed the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	January 31, 2018	December 18, 2017	\$447	\$447
State income taxes	January 31, 2018	January 10, 2018	\$362	\$362
Local income tax	January 15, 2018	January 10, 2018	\$302	\$302
OPERS retirement	January 30, 2018	January 10, 2018	\$1,691	\$1,691
School District Income Tax	January 31, 2018	January 10, 2018	\$169	\$169

4. We haphazardly selected and recomputed one termination payment (unused vacation, etc.) using the following information, and agreed the computation to the amount paid as recorded in the Payroll Statement:
 - a. Accumulated leave records
 - b. The employee's pay rate in effect as of the termination date
 - c. The Library's payout policy.

The amount paid was consistent with the information recorded in a. through c. above.

Non-Payroll Cash Disbursements

1. From the Cash Journal, we re-footed checks recorded as General Fund disbursements for *professional personnel (wages)*, and checks recorded as *contingency* in the Permanent Improvement Fund for 2017. We found no exceptions.
2. We haphazardly selected ten disbursements from the Cash Journal for the year ended December 31, 2017 and ten from the year ended 2016 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions except as noted in "4" below.
 - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Cash Journal and to the names and amounts on the supporting invoices. We found no exceptions.
 - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.

3. We inspected the Cash Journal for the year ended December 31, 2017 and 2016 and determined that the proceeds from the levy passed under Ohio Rev. Code Section 5705.23, were used for the purpose stated in the resolution.

4. **Kroger Gas Points & Kohl's Cash:** Ohio Rev. Code, Sections 102.03 (D) and (E), provide that:

(D) No public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public employee with respect to that person's duties.

(E) No public official or employee shall solicit or accept anything of value that is of such a character as to manifest a substantial and improper influence upon the public employee with respect to that person's duties.

The term "anything of value" is defined to include money and every other thing of value. Discounts on future purchases and other things of value offered as reward program incentives are things of value. Library employees used their personal Kroger Plus cards to purchase gift cards and other supplies for the Library from Kroger during 2016 and 2017. The Library employees earned personal gas points on these purchases. The gift cards and other supplies were purchased with Library funds. Additionally, the Library reimbursed the Director for a coffee maker purchased from Kohl's. The coffee maker was for Library use. The Director earned \$30 of Kohl's cash from this purchase. The Library should implement a policy for the use of personal reward cards while making Library purchases. Benefits earned on reward cards should be remitted to the Library. If the benefits are not remitted to the Library, the benefits are being used "in lieu of" salary as reportable taxable compensation.

Gift Cards

The Ohio Supreme Court case of State ex rel. McClure v. Hagerman, 155 St. 320 (1951), along with Auditor of State Bulletin 2003-005 and Attorney General Opinion 82-006 set forth guidance as to the expenditure of funds for public purposes. The two criteria established under the Attorney General Opinion for determination of proper public purposes are that the expenditure is required for the general good of all inhabitants and the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced. The decision of what constitutes a public purpose should be memorialized by a duly enacted ordinance or resolution by the Board of Trustees that sets forth the policy of the Library that has prospective effect only.

During 2016 and 2017, the Library purchased gift cards from Kroger, Walmart, Espy's, and Rubypurl Chocolates in the amount of \$211.50 for which the Library was unable to provide a list of recipients for the gift cards.

The Board of Trustees had not passed a formal policy regarding its views on the proper public purpose guidelines for the Library's expenditures. The Library should seek Board approval prior to purchase or establish a policy to support such expenditures.

Compliance – Budgetary

1. We compared total appropriations required by Ohio Admin. Code Section 117-8-02, to the amounts recorded in the Expense Ledger for 2017 and 2016 for the following funds: General and Permanent Improvement. The amounts on the appropriation resolutions agreed to the amounts recorded in the Expense Ledger.

2. Ohio Admin. Code Section 117-8-02 prohibits spending in excess of budgeted amounts. We compared total expenditures to total appropriations for the years ended December 31, 2017 and 2016 for the General and Permanent Improvement fund, as recorded in the Expense Ledger. We observed no funds for which expenditures exceeded appropriations.

Other Compliance

Ohio Rev. Code Section 117.38 requires libraries to file their financial information in the HINKLE system within 60 days after the close of the fiscal year. This statute also permits the Auditor of State to extend the deadline for filing a financial report and establish terms and conditions for any such extension. Auditor of State established policies, in addition to filing extensions granted for extenuating circumstances, allow for re-filing complete financial statements, as defined in AOS Bulletin 2015-007 in the Hinkle System for December 31, 2017 and 2016 fiscal year ends included in 2015-2016 or 2016-2017 agreed up on procedure engagements, subsequent to the Library's deadline where the initial filing was filed on time but incomplete. We confirmed the Library filed their complete financial statements, as defined by AOS Bulletin 2015-007 and Auditor of State established policy, within the allotted timeframe for the year ended December 31, 2017 in the Hinkle system. The financial statements for the year ended December 31, 2016, were originally filed on February 14, 2017. However, the financial statements were not included (the filing only included the notes to the financial statements). The Library re-filed the complete financial statements with notes on April 4, 2018.

This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. We were not engaged to, and did not conduct an examination, or review, the objective of which would be the expression of an opinion or conclusion, respectively on the Library's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is to provide assistance in the evaluation of the Library's receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2017 and 2016, and certain compliance requirements related to these transactions and balances and is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

July 11, 2018

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BROWN MEMORIAL LIBRARY

PREBLE 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, 31 2018**