



**Auditor of State
Betty Montgomery**

**KNOX COUNTY LAW LIBRARY ASSOCIATION
KNOX COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Knox County Law Library Association
Knox County
121 East High Street
Mount Vernon, Ohio 43050

To the Board of Trustees:

We have audited the accompanying financial statements of the Knox County Law Library Association, Knox County, Ohio, (the Library) as of and for the years ended December 31, 2003, and December 31, 2002. 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 obtain reasonable assurance about 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.

As discussed in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Library as of December 31, 2003, and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 16, 2004

**KNOX COUNTY LAW LIBRARY ASSOCIATION
KNOX COUNTY**

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

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Fine and Forfeitures	\$48,187	\$0	\$48,187
Cash Disbursements:			
Supplies and Materials	51,129	0	51,129
Total Cash Receipts Over/(Under) Cash Disbursements	(2,942)	0	(2,942)
Other Financing Receipts/(Disbursements):			
Refunds from Vendors	2,950	0	2,950
Total Other Financing Receipts	2,950	0	2,950
Excess (Deficiency) of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	8	0	8
Public Fund Cash Balances, January 1	(108)	100	(8)
Public Fund Cash Balances, December 31	<u>(\$100)</u>	<u>\$100</u>	<u>\$0</u>

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

**KNOX COUNTY LAW LIBRARY ASSOCIATION
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PUBLIC FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>General Fund</u>	<u>Retained Monies Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Fine and Forfeitures	\$60,117	\$0	\$60,117
Cash Disbursements:			
Supplies and Materials	58,784	0	58,784
Refunds to Relative Income Sources (related to FY 01)	2,400	0	2,400
Equipment	1,708	0	1,708
Total Cash Disbursements	62,892	0	62,892
Total Cash Receipts Over/(Under) Cash Disbursements	(2,775)	0	(2,775)
Public Fund Cash Balances, January 1	2,667	100	2,767
Public Fund Cash Balances, December 31	<u>(\$108)</u>	<u>\$100</u>	<u>(\$8)</u>

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

**KNOX COUNTY LAW LIBRARY ASSOCIATION
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Knox County Law Library (the Library) is directed by a board of trustees who are elected annually by members of the Knox County Bar Association. The Library provides free access for all county officers and the judges of the 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) Sections 3375.50 to .53, inclusive. The Library is permitted to expend funds under ORC Section 3375.54. The funds of the Library are expended on the purchase, lease or rental of 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.

The Knox County Commissioners are required by ORC Section 3375.49 to provide adequate facilities for the Library. The Board of County Commissioners is required to provide suitable bookcases, heating and lighting for the rooms.

The Board of Trustees did not have a librarian or any assistant law librarians employed during the audit period.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

The Library maintained a non-interest bearing checking 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**KNOX COUNTY LAW LIBRARY ASSOCIATION
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Retained Monies Fund

Retained Monies Fund consists of monies retained by the Library under Ohio Revised Code § 3375.56. At the end of each calendar year the Library is permitted under law to retain up to ten percent of their unencumbered balance. See footnote 2 for additional information.

E. Budgetary Process

The Library is not required to budget annually; however, under Ohio Revised Code Section 3375.56 the Library is permitted to 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

Acquisitions of equipment are recorded as equipment disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Items purchased which are deemed to be equipment are computers, copiers, fax machines, and other items related toward facilitating the use of the equipment.

G. 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 basis of accounting described above. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. CALCULATION OF REFUND TO RELATIVE INCOME SOURCES AND AMOUNT RETAINED

In any year that revenues exceed disbursements, the Library refunds at least ninety percent of the unencumbered balance to the political subdivisions who provided the funds and retains the remaining amount. This refund process is referred to as the application of ORC 3375.56 or refund to relative income sources.

In both fiscal year 2003 and 2002 the Library's disbursements exceeded its revenues; therefore, no unencumbered balance remained that would be subject to the refund process.

3. EQUITY IN POOLED CASH

The carrying amount of cash at December 31, 2003 was \$0 and at December 31, 2002 was \$(8).

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

4. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for property and general liability



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Knox County Law Library Association
Knox County
121 East High Street
Mount Vernon, Ohio 43115

To the Board of Trustees:

We have audited the accompanying financial statements of the Knox County Law Library Association, Knox County, Ohio, (the Library) as of and for the years ended December 31, 2003, and December 31 2002, and have issued our report thereon dated November 16, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 such an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that do not require inclusion in this report that we have reported to the Library's management in a separate letter dated November 16, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 to be 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 2003-002 and 2003-003.

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A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of 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 to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. We did note matters involving internal control over financial reporting that do not require inclusion in this report that we have reported to the Library's management in a separate letter dated November 16, 2004.

This report is intended solely for the information and use of the management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 16, 2004

**KNOX COUNTY LAW LIBRARY ASSOCIATION
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2003-001
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Finding for Recovery

Ohio Rev. Code Section 3375.54 requires 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.

The following two expenditures paid from the Library's checking account did not meet the criteria set forth in the above referenced Ohio Rev. Code Section:

Check Number	Check Date	Payee	Check Amount
1499	April 2, 2003	American Electric Power	\$600.00
1501	May 10, 2003	Miriam St. Jean	\$521.00
		Total	\$1,121.00

Check number 1499 was paid to American Electric Power and was credited to Miriam St. Jean's personal account. Check number 1501 was paid directly to Miriam St. Jean without any authorization of the Law Library Association Board. Neither disbursement was recorded in the Library's cash journal or evidenced by supporting documentation.

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 issued against Phillip Lehmkuhl, Knox County Law Library Treasurer, Miriam St. Jean and State Auto Insurance Companies, surety for Phillip Lehmkuhl, jointly and severally, in the amount of one thousand one hundred twenty one dollars (\$1,121), in favor of the Knox County Law Library Association General Fund.

Finding Number	2003-002
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Recordkeeping and Bookkeeping

The following internal control weaknesses were noted:

- a. Not all original invoices were retained by the Treasurer in 2002 and 2003. The Treasurer needed four months to obtain copies of invoices from vendors and other records before the audit could commence.
- b. Three checks were not documented in the check register in 2003. Two of the checks have resulted in a finding for recovery and one check was never located.
- c. Check registers were not maintained with running balances in 2002 and 2003 (the 2002 fund balance indicates a negative cash amount).

**KNOX COUNTY LAW LIBRARY ASSOCIATION
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2003-002 (Continued)
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Recordkeeping and Bookkeeping (Continued)

- d. Monthly cash reconciliations were not performed in either year. In addition, the Treasurer was unable to provide original bank statements for both years and had to provide copies of bank statements.
- e. The personal secretary of Law Library Treasurer Phil Lehmkuhl, Miriam St. Jean, maintained the invoice documentation and had access to all Library records, even though she was not employed by the Library.

The above weaknesses have resulted in an inability to manage and monitor the Library's operations in an effective manner, and as noted when testing the Library's expenditures, resulted in questionable expenditures.

To strengthen internal controls, we recommend:

- a. Original invoices should be retained to document each disbursement made, with corresponding reviews of the invoices being evident (approval of invoice by initials and date, check number and date of the invoice paid, etc.).
- b. Voided checks should be maintained and documented in the check registers to reduce the risk of fraud due to theft.
- c. Check registers should be maintained with a running balance to ensure that funds are available for expenditure and so that monthly cash reconciliations may be performed.
- d. Monthly cash reconciliations should be performed and should be presented to the Board of Trustees on a monthly basis. Any discrepancies in the monthly reconciliations should be investigated immediately.
- e. The ability to access blank checks and bank account activity should be limited to those employed by the Library in a fiscal or fiduciary capacity to avoid the increased possibility of fraudulent activity or alteration of records.

Also, all original source documentation such as bank statements and invoices should be retained as these records are considered to be public records and must be maintained in such a manner as to be available for public request.

**KNOX COUNTY LAW LIBRARY ASSOCIATION
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2003-003
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Board Monitoring

There was no documentation to indicate that the Board of Trustees met during the audit period.

By not reviewing monthly reports and reconciliations and not being involved in the operations of the Library, errors and irregularities could occur and not be detected in a timely manner.

It is imperative that there is Board oversight in an entity that lacks segregation of duties as all accounting functions of the Library are controlled by one individual. We recommend the Board meet on a monthly basis or at the minimum a quarterly basis to monitor Library financial activity and document their review in the minute record. In addition, the Trustees should establish a finance committee and meet periodically to monitor and review the Library's accounting and financial reporting practices, and to follow up on citations and recommendations made by its auditors.

**KNOX COUNTY LAW LIBRARY ASSOCIATION
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-60642-001	A finding for recovery was issued in favor the City of Mount Vernon's General Fund and Knox County's General Fund based on the Library's failure to refund 90% of public monies received in excess of expenditures for the same period.	YES	



**Auditor of State
Betty Montgomery**

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KNOX COUNTY LAW LIBRARY

KNOX 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
MARCH 1, 2005**