

**BALTIMORE CITY DEPARTMENT OF AUDITS**  
**AUDIT DIGEST**  
**ENOCH PRATT FREE LIBRARY**  
**A COMPONENT UNIT OF THE CITY OF BALTIMORE, MARYLAND**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**  
*Issued January 2015*

The Department of Audits has completed its annual audit of the financial statements of the Enoch Pratt Free Library (the Library) for the fiscal year ended June 30, 2014.

The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and presents financial information in governmental fund financial statements and budgetary statements:

- The primary operating funds (General Fund) of the Library had a \$312,500 surplus of revenues over expenditures, resulting in an unassigned surplus fund balance of \$343,500 at year-end.
- On a budgetary basis, the General Fund had a \$42,900 deficit of expenditures over revenues for the fiscal year.
- The Library's endowment fund's investments totaled \$37.3 million at year-end, an increase of \$4.6 million from the previous fiscal year end.

In addition to the comprehensive report, we have included a separate report, required by both generally accepted auditing standards and *Government Auditing Standards*, which addresses the System's compliance with the internal control over financial reporting relating to the financial statements and certain laws and regulations. The Library had seven significant deficiencies in internal control over financial reporting in fiscal year 2013. Five of the fiscal year 2013 findings were resolved, and two findings remain. The following finding is considered to be a material weakness:

Finding 2011-1: The Library's Business Office did not timely prepare its annual financial report for submission to the Maryland State Department of Education. This material weakness continued throughout fiscal year 2014 when again the Library was unable to meet the December 31<sup>st</sup> deadline for report preparation. The Library's accounting software system was not fully utilized in the preparation of its financial statements. Compiling the year-end financial statements is complex and the Library must rely on manual adjustments to properly record transactions, accruals, corrections, and other transactions. As a result of this, the financial statement preparation process requires compiling worksheets, completing reconciliations, and recording various adjustments.

We recommend that the Library continue to refine the process to prepare the financial statements, all significant adjustments including accruals and corrections, and in preparing all necessary reconciliations. The Library should evaluate its accounting software's capability to determine whether the software is capable of preparing complete and accurate financial statements. After completing its evaluation, we would also recommend that staff be trained to fully and properly utilize the Library's accounting software system. We also recommend that the

Library evaluate and document the financial statement preparation process. Written procedures would facilitate the timely and accurate preparation of the Library's annual financial statements.

The Library stated that it is the Library's goal every year to submit the report to the State with the Internal Control letter by the December 31 deadline. That is dependent on adequate staffing, availability of information from City Accounting and other City sources, and accuracy of accounting records. All of those things were not in place during the FY 2014 report development. Newly hired staff required significant training and orientation, and information needed for the report from the City was not available. Additionally, the Library utilized an external accounting firm to assist with the review of accounting work papers and this caused delays due to orientation on how City and Trustee accounting information are merged in the statements. We agree with the Department of Audits with regard to making better use of the accounting software to assist with the generation of financial statements and are sending accounting staff for training to that end. The Library will continue to refine their process and will make every effort to implement procedures to ensure timely reporting in the future.

The second audit finding is considered to be a significant deficiency:

**Finding 2011-3:** As of June 30, 2014, the Library had not performed a proper analysis of the Book Imprest Fund to determine why the reconciled balance was \$332,573, rather than its maximum balance of \$300,000. Our analysis in attempting to reconcile to the \$300,000 balance for the Book Imprest Fund, as of June 30, 2014, is as follows:

- Starting with the \$332,573 reconciled balance by the Library, we subtracted a \$79,757 voided check not reissued during fiscal year 2014, and added the reimbursement of a book purchase of \$29,095 which was recorded by the Library, but not billed to the City, and leaves an actual balance of \$281,911.
- There is an additional \$10,000 due from the Endowment Fund for postage purchased using the Book Imprest Fund, which brings the balance to \$291,911.
- The difference between the \$300,000 Book Imprest Fund and the above adjusted \$291,911 balance is \$8,089. This \$8,089 difference could not be further analyzed by us.

We again recommend that the Library develop written reconciliation procedures that include investigating and resolving unexplained differences in a timely manner. All reconciling adjustments and corrections should be approved by the employee's supervisor and/or management. In addition to reconciling to the Imprest Fund bank account balance, the Library should also reconcile to the Fund's \$300,000 balance.

The Library stated that after last year's audit, it made adjustments and contracted an accounting firm to assist with reconciling remaining unexplained differences. That effort resulted in a number of correcting and adjusting entries. Unfortunately the items referenced here were not corrected and the Library will resolve all items as part of its January 2015 bank reconciliation process.

Based on our audit, the results of our tests disclosed no instances of noncompliance with laws and regulations for fiscal year 2014.