

Memo



TO: Mayor Sean M. Spiller and Honorable Members of the
Township Council

FROM: The Board of Trustees of the Montclair Free Public Library

CC: Peter Coyl, Library Director

DATE: November 10, 2021

RE: Township Forensic Audit Report

The Township of Montclair commissioned a forensic audit of the Library's finances, and the Township Council discussed the findings of the audit at its October 19, 2021 meeting. Since that time, the Library Board of Trustees has spent much time reviewing the audit report on our own and in consultation with the Library Attorney and our external auditors. We are providing this memo in response to that audit, to clarify certain statements made and conclusions expressed in the audit report relative to the Library's finances and financial management practices.

The most significant outcome of the audit, as the auditors acknowledged during the October 19th meeting but not in their report, is that they did not uncover any improprieties, undue transactions, fraud, abuse or wrongdoing. The auditors also acknowledged that all 2020 expenditures were on the approved Bill List and "there were no checks written that were not approved in 2020." These points are very important to the Library Board because we take very seriously our fiduciary responsibilities to ensure the Library remains solvent and a good steward of taxpayer and donor funds. We have strict financial controls and a separation of duties. Bank reconciliations are reviewed monthly and budget to actual statements are provided to the Library Trustees every quarter.

Our review of the audit report identified following points worthy of clarification and correction:

- The auditors based their analysis of the Library's FY21 budget on a **draft** budget provided on June 14, 2021, which clearly was marked as draft.. During the Library's internal budgeting process, the Board of Trustees discussed numerous issues with our own auditors, and made modifications before adopting a final budget on June 21, 2021. As a result, the auditors included criticisms of the Library's FY21 budget based on items not contained in that budget (e.g., double recording of pension expenses, listing carryover fund balances as income).
- The auditors state in their report that closure of the Bellevue Avenue Branch provided no cost savings, but the fact is that the Library operated on \$500,000 less money in 2020 than was in its approved budget, and achieved some of those savings by reallocating staff and other resources from Bellevue Avenue to the Main branch.

- The auditors state in their report that the Library changed from in-person to virtual operations and programs due to the pandemic, but this did not result in cost savings. This conclusion does not consider the overall expense reductions mentioned above or the fact that there are additional costs for a library to operate virtually than in person. For example, Library staff had to train and learn how to present programs virtually and had to adapt existing programs and develop new programs for a virtual platform. The Library had to assign staff to respond to the abundance of email and other on-line inquiries, including signing up a record number of new library card holders (over 960) which requires significantly more time to do virtually than simply responding orally to questions asked in person. In addition, the Library had to buy personal protective equipment for staff members who were working on site.
- The Library acknowledges that it paid its contracted cleaning service while the Library buildings were closed to the public, as the auditors noted, however, even with limited staff in the building on a weekly basis, regular cleaning was necessary, especially in the early days of the pandemic when COVID fomite transmission was a large concern.
- The auditors state in their report that the Library, “did not respond in a timely manner to furlough and lay off employees during the closure early in the year due to the pandemic.” The fact is, as the auditors acknowledge in a different section of their report, “23 employees were furloughed April 12, 2020,” which we believe was a very timely response implemented less than a month after the Library first closed due to the pandemic.
- The auditors state in their report that the Library did not apply for the American Library Association COVID relief grant, when actually, the Library did apply for that grant in 2020, but was notified on June 25, 2020 that its request for grant funds was denied.
- The auditors state in their report that the Library should have applied for federal Payroll Protection Plan (PPP) loans, which were available to non-profit libraries, however, the Library was not legally eligible for a PPP loan because we are a government entity, not a non-profit.
- The auditors state in the report that the FY20 Regular Audit of the Library was not available when they performed their analysis, however, the Library provided the Township Finance Committee with a copy of that audit on August 17, 2021, two months before October 14, 2021, the date listed on audit report.

Finally, we want to remind the Council that the Library still has not received \$122,000 of the appropriation, which the Township Council approved as part of the Library’s 2021 budget, and which was due to be paid to the Library in August. We also note that the Township’s new

requirement that the Library only budget based on the statutory minimum of 1/3 mil, with no assurances of any additional funding, will effectively reduce the Library's annual budget by about 26%. This is likely to cause a reduction in the services the Library is able to offer, and certainly will not allow for an expansion of services or hours as the Township has suggested. We hope that the Township Council will reconsider its position, and will ensure that the Library has adequate funding, within budgetary practicalities, to meet the needs of the people of Montclair and the surrounding communities we serve.