

Ashburnham Library Board of Trustees Meeting - The Malcolm Stewart Room  
July 15, 2014 - 4:00 p.m.

**PRESENT:**

Chairman Paula Dowd; Treasurer Paula S. Laurent Kuehl; Secretary Margaret Donovan; Edward Vitone and Maggie Whitney

**ABSENT:**

Library Director Cheryl Paul-Bradley and Trustee Joe von Deck

**VISITOR:**

Richard F. Powell, CPA – Senior Vice President and Senior Accountant Aneatra N. Comeau from the firm Greenberg, Rosenblatt, Kull & Bitsoli, P.C. located in Worcester, MA.

**OTHER ATTENDEES:**

Advisory Board Chairman Bill Johnson  
*Sentinel & Enterprise* Reporter Michael Hartwell

Chairman Paula Dowd called the meeting to order at 4:01 p.m.

Edward Vitone presented a "Proposed Agenda for July 15, 2014 Meeting:

- Audit Status
  - Rick Powell and Aneatra Comeau of Greenberg, Rosenblatt, Kull and Bitsoli
- Green Energy Audit
- Categorization of Costs
  - For budget model
  - To identify 1099 personnel
  - To identify differences in town policies
    - Solicit opinion from Erb & Erb if needed
- Identify current routines of income management & reporting
  - Petty Cash
  - Fax Fees
  - Copier Fees
  - Post program cash donations
  - Donations
  - Room Rental
  - Grants (i.e. MLAA, Knowlton, etc.)
  - Other
- Review of current financial policies and procedures
  - Receipts lacking
- Policy and Procedure benchmarking of survey communities (?)
  - Solicit copies of procedures from survey communities

***A motion was made by Edward Vitone and 2<sup>nd</sup> by Paula S. Laurent Kuehl to accept the proposed agenda and the vote was unanimous.***

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Edward Vitone distributed to the Board of Trustees a three page document entitled "Need Categories for Budgeting – Compensation, R&M, Programs, etc."

Edward Vitone then gave a little bit of background from yesterday. When Cheryl was talking to the auditors she recalled that she had actually retained the cash that was withdrawn from the savings account and she had three envelopes 2012 – 2013 – 2014. So that is different (than what was said in the July 8 meeting). We thought we had no data when we asked last Tuesday. So that kind of brings everyone up to speed I think. So with that maybe we can invite Rick Powell and Aneatra Comeau and give us their view of what they have seen.

Rick Powell distributed a two-page document on their findings to date:

**The Stevens Memorial Library**  
**Draft Outline of Findings July 9 – 15, 2014**  
**Prepared by Greenberg, Rosenblatt, Kull & Bitsoli, P.C.**

- 1 Introductions
- 2 Nature of Assignment:
  - a "Audit"
  - b Internal Controls
  - c Scope
  - d Sources:
    - i Banks
    - ii Binders
    - iii Individuals
    - iv Limitations
    - v MBLC – MA Public Library Trustees Handbook
    - vi MA AG – Guide for Board Members of Charitable Organizations
    - vii Other
- 3 Responsibilities of Significant Parties:
  - a Library Director
  - b Trustees
  - c Treasurer
- 4 Overview:
  - a Cash
  - b Internal Controls
  - c Scope Limitations
  - d Inconsistencies
  - e Oversight
- 5 Petty Cash
  - a Balance set at \$200 (\$15 at the desk & \$185 in the safe)
  - b Internal Controls
  - d Revenue Sources:
    - i Room rentals (including 5% of Yoga Instructor)
    - ii Faxes
    - iii Photocopies
    - iv Fines
    - v Donations/Grants
    - vi Book Sales (Louise)?
    - Vii Friends of the Library?
  - e Replenishment

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- 6 Athol Savings Bank
  - a It appears that activity from this account has not been included in books & records
  - b Account established 9/18/1992 (21+ years ago)
    - i Signatures: Melanie Gallo & Cheryl Paul-Bradley
    - ii Savings account
  - c Reviewed account activity from June 2007 – June 2014
    - i Deposits not recorded (over 200 deposits totaling \$103,111.02)
    - ii Cash disbursements not recorded (over 200 cash withdrawals totaling \$105,197.55)
  - d Three envelopes of cash from Cheryl on 7/14/2014
    - i Total of \$33,558.91 (9,148.50 + 12,787.50 + 11,622.91)
    - ii Years on envelopes were mislabeled
    - iii Totals per year matched, but were in largest denominations
  - e No records pre-December 2012
  - f Feedback from Library Director:
    - i Trustees were aware of the account and methodology
    - ii Trustees wanted to keep the balance low because they didn't want the town to know about this account.
  
- 7 Trust Account:
  - a Was opened by the Board to manage separately from the Town
  - b Library Director had signing authority until approx. 4 years ago. Treasurer and Chairman now have custody and signing authority of the account
  - c Debit card account opened in December 2009 and closed July 2013
  - d Reviewed account activity from January 2000 – June 2014:
    - i Checks made payable to "Stevens Memorial Library"
    - ii Reviewed 2009 Athol Savings account statements and noted amounts similar to checks payable to Library deposited and subsequently withdrawn
    - iii Athol Savings account statements were not available prior to June 2007 and no checks were written 2006 – 2008 and after 2009
    - iv Checks made payable to employees
    - v Trust fund summary included in Town Annual reports did not include debit account and inconsistently reported receipts from the Whittemore Trust
    - vi Individuals and contractors paid over \$600 during 2010-2013 that should have been issued 1099s
    - vii Various stock sales from 2000 – 2008, totaling \$146,950
  - e Internal Controls
    - i In 2002, Town Accountant began receiving copy of the trust fund statements
    - ii Copy also sent to Treasurer, who keeps checkbook at residence
    - iii Per review of minutes, appears current Board is requesting copies of invoices for approvals of expenditures
  - f Feedback from Library Director:
    - i Board and Chairman up to 2011 were aware of how petty cash and miscellaneous expenses were handled
  
- 8 Other:
  - a Feedback from Library Director
  - b Friends of the Library
  - d Security

Rick Powell informed the Board that they have been engaged less than a week. Edward Vitone and Chairman Paul Dowd thought it would be a good idea to give the board an up-date as to what we have found so far. We haven't drawn any conclusions but can give you some magnitude of the issue and will give you an update right now.

Rick Powell and Aneatra Comeau gave the Board of Trustees a brief introduction of themselves, their qualifications and history of the firm. On a personal note, Rick Powell noted that in his town you can get a library card when you turn five. That was one of the most anticipated and exciting moments of your life and well-remembered - when turning five and getting your library card was bigger than turning 16 and

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getting your license. Rick noted it is important to preserve the library and the assets. He wanted to let everyone know about his library background.

Rick Powell then began covering each item on the audit. "An audit can mean a bunch of different things. An audit requires someone to come in and independently verify the entire operation, or a segment of the operation, or it could be a couple of accounts, or it could be a study of controls. So we came and we reviewed a bunch of things. It is not an overall audit of the library or even audit of those particular accounts and I will tell you why in a little while."

We came in to see what outside documents were available; what controls were in place; we assessed the risk and then we looked to see how much testing we needed to do. That is what we did and we will go into detail in a little while on exactly what we did. It could mean a bunch of different things. One of the things we do in an audit is testing internal controls to see if they are in place. You assess if they are strong or not strong. This is traditional.

In this scope, the records must be available to form an opinion of what was going on. There has to be something there for us to test, otherwise we may have to disclaim an opinion for the scope.

Now the sources that were used for this engagement included the bank information from Athol Savings Bank and the bank account from Edward Jones.

We interviewed some of the trustees. We interviewed the town accountant, town treasurer, the town assistant treasurer and the library director. We also used outside resources such as the *Massachusetts Public Library Trustees Handbook* issued by the MBLC (Massachusetts Board of Library Commissioners) which sums up some of the duties of the board of trustees and the director. In addition to that, we also went to the website and got *Governance Policies* and *Guide for Board Members of Charitable Organizations*.

The library director is obviously in charge of day-to-day operations of the library, of the employees, of the funds, of the cash coming in and going out and the reporting of all that activity accurately to the trustees so that the trustees can manage it properly from a higher level. The trustees do have a fiduciary responsibility to know what is going on and if you suspect anything that's awry you should do investigations internally or externally.

Trustees are voluntary and elected. You have a very significant responsibility to preserve the assets of the library and be sure the money is being spent wisely and appropriately – to be sure that the funds that are coming in are going to the purposes that they were intended. I can't emphasize that strong enough. Being on the board, it is very important for you as trustees to be on top of all financial transactions.

You have a significant amount, whether you know it or not, of *cash transactions*. These *cash transactions* are not, as far as we could tell, part of any of your accounting records to date. That is sort of an off-books account. A bunch of money has gone in and bunch of cash has been withdrawn from the Athol Savings Account. There are no checks. Those are cash withdrawals coming out and we are talking hundreds of thousands of dollars. We have been working for less than a week here.

Yesterday morning when we were interviewing the library director, after ten minutes of the interview, she excused herself, went to the desk and got a key and went over to a side door and came back and put three envelopes on the top of the table. After a bit of discussion, we discovered there was approximately \$33,000 of cash in those envelopes. Now there could be a good reason for it or a there could be a bad

reason for it but either way, at best it shows bad management controls (by the Board of Trustees) and bad operations by the Library Director. You don't normally see cash in an operation – certainly don't see \$33,000 dollars of cash.

When interviewing the Library Director, some of the Trustees, and the other people of the town, [it was obvious] there is a significant weakness in the internal controls or not adhering to the internal control and certainly not reporting to the Board of Trustees.

Relative to the scope limitations that I mentioned earlier, we are unable to audit if there are no records. When we were given those three envelopes of cash, the Library Director told us that she didn't have the cash prior to that – nor receipts for the cash – no records prior to 2012. She then explained that the Town Treasurer had indicated to her that she only had to keep records for three years. That is one of many of the consistencies that came up in interviewing the people from the Town and Library Director where she (the director) was saying something that contradicted direct interviews with other people. When I spoke with the Town Treasurer, he did not tell her anything about three years. He said actually it was somewhere indefinitely and the three years may have been when he was doing an audit of her expense account or something like that in a prior periods. In no way would he indicate that it OK to destroy records after three years. And I will say, just to add a bit here, that when we asked her other questions for certain records to prior to the year she was able to produce them. It seems that there were just certain records at this point she was unable to produce.

We asked her (the director) for certain backup MLAA grant money that was transferred to the town. She was able to provide some backup notation. Some of those records, however, she was unable to provide any documentation for any of that cash from the Athol Savings Account withdrawals prior to 2012. When we asked further what do you think it might have been spent on, she indicated a vendor that she purchased books from for about \$5,000 but she did not keep any receipts because it was cash. When we indicated to her that they (the vendor) probably would still have records of the receipt of the sale, and that we could go to these vendors to track it down in the other direction, her recollection wasn't so sharp at that point. She wasn't sure how much she spent for books and then she couldn't remember any other large expenses.

Ed Vitone asked a question of the auditors regarding record retention. Rick Powell stated that seven years is the guideline and after that there are some records you want to keep indefinitely and would be permanent files such as debts, tax returns, tax filings. You also have things you want to keep longer. I could send you something from the *MA Society of CPAs*. It is four or five page document.

On 4d - INCONSISTENCIES [above] - the responses from the Library Director are quite different from some of the other people we interviewed.

And then 4e – THE OVERSIGHT again [above], if someone has \$30,000 of cash in three envelopes locked up downstairs and none of you know about it and none of you have been informed of the accounting that has taking place in the last few years, I as an auditor find that alarming and something that's certainly wasn't appropriate. Receipts of prior years are not available and cannot be produced I would be very concerned about that - the missing documents.

I will get into a little bit of detail. The petty cash, one control item, is set at \$200 and not all is kept at the front desk. So that is good control. \$15 is at the front desk and the \$185 is back in the safe. That part of

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it is good. The rest, though, there is no accounting for any of your revenues and receipts. We asked for logs and tried to find a calendar or anything she had used to try to know how much income would be on record. She said she might have had a calendar but she is not sure, so there was nothing available for us to look at.

Chairman Paula Dowd asked Secretary Margaret Donovan if we always put (entries) on the calendar when the room is rented upstairs. If that is true, then how can we say that there is no calendar? We can get that information. Rick Powell stated that she (Library Director) said there was a calendar but that it wasn't provided to us.

Rick Powell stated that the trustees need some kind of control for all transactions. Maggie Whitney stated that it reminded her of the sales for the 250<sup>th</sup> Calendars. She asked if there was a record of those transactions. The cost is \$15 per calendar. Secretary Margaret Donovan stated that that is the *Friends* fundraiser and that money is going to the *Friends*.

Edward Vitone stated hypothetically, that if we had a 100 calendars and we are selling them at the library who audits the sales. Rick Powell asked if the library is selling them on behalf of the *Friends*. Secretary Margaret Donovan stated that the *Friends* are selling them and the money is going for a new copier at the library. Edward Vitone stated that we are selling them on behalf of the *Friends*. We are taking cash at the library. We need to reconcile the cash to the calendars sold.

Rick Powell stated that this is a good point and we have been here only less than a week and under 5b [above] you will see the items we have identified as revenue sources. There could be more. Book sales were mentioned by a woman by the name of Louise. Treasurer Paula S. Laurent Kuehl said she (Louise) donates the money made from the book sales to various organizations to town. The majority recently has gone to the food bank. It also goes to the Bresnahan Scouting Center. Secretary Margaret Donovan stated that she bought six folding tables for the library out of the book sale money. She has accounted for that and Maggie Whitney stated that Louise gets it right to the penny.

Rick Powell asked if she gets the donations herself and it was stated yes and that the books are dropped off. Rick asked if the *Friends* is a tax exempt organization? I believe the *Friends* are using your tax ID number. Edward Vitone stated that he is pretty sure that they are using the library tax ID. Rick Powell stated that they shouldn't be. Edward Vitone stated that they have not looked at the second account. Rick Powell stated that the *Friends* should have their own separate ID and be incorporated separately. This should be a separate organization. Edward Vitone mentioned that we have to report to the town all the receipts and all expenditures under the library's tax ID. If they are using our tax ID, technically that is considered our (the library's) money. Rick said that it seems like it. If they are not organized as separate entity something has to change. Currently there seems to be a gap in reporting.

Rick Powell asked about other funding sources. Think about other sources of income. There may be a log at the circulation desk but there is no (long term) record for faxes, photocopies, fines, donations/grant, book sales, *Friends of the Library*, or any cash coming in here to this building. There are no records. Margaret Whitney stated that it reminds her of another time when she and Sylvia came to make a bunny (at a craft workshop at the library) and we felt guilty because all of the other participants were kids and we made a donation of \$10 each and did that get recorded as well? Rick Powell stated that it appears that it did not. We see no record keeping of any cash. Edward Vitone asked if there was any identification of cash being deposited into the Athol Savings Account. Rick Powell stated that they did not look at all of

the deposits. I believe there is cash going in. Edward Vitone stated that he (based on a sample of deposits) has not seen any cash being deposited. Treasurer Paula S. Laurent Kuehl stated working with the Athol Saving Bank through the PTA (Parent Teachers Association) she got in the habit of doing checks on one deposit slip and cash on another slip. Chairman Paula Dowd stated that for some time there were no book fines in the library. Rick Powell asked for how long and Chairman Paul Dowd stated that she (the director) started the no fines a couple of years ago.

Rick Powell stated that she (Library Director) during the interview mentioned some sizable grants or donations. That something went on for a capital campaign years ago. She had done this and raised this money. So I'm not sure about the accounting of that.

Rick Powell explained in 5e [above] for replenishment of petty cash. Typically when you get replenishment you should go to the town. She did go to the town for petty cash and it was for postage and parking. When she got the reimbursement check they were deposited at the Athol Savings account. Typically you would see the replenish check cashed and put the cash back in the (petty cash) box and to restore it back to \$200. In this case checks were cashed and placed in the Athol Saving account. Treasurer Paula S. Laurent Kuehl stated that there were signs that from the petty cash we bought postage stamps from the post office and there were signs of transactions going to town hall to reimburse the library and the money did not go back into petty cash it went into the Athol Savings. Edward Vitone stated that the money for petty cash came from somewhere else and Rick Powell confirmed what Edward Vitone stated.

Rick Powell now went to Athol Savings Account. This account has hundreds of thousands dollar potentially none of which has been recorded in the books, records, or reports. The account was established in September 18, 1992 – twenty one years ago. The original signature cards were Melanie Gallo and Cheryl Paul-Bradley and it was established as a savings account. I can't think of a reason why a savings account would be opened (vs. a checking account). You have a trust account that she could put the funds into or a checking account. With a savings account there a no checks. We reviewed the account activity from June 2007 to June 2014. The deposits were not recorded and there are over 200 of them totaling \$103,111.02. Cash disbursements were not recorded. There are over 200 cash withdrawals totaling \$105,197.55. This always brought the balance down to a nominal amount. So the end of the month typically there would be \$100 in that account. If there was a deposit of \$7,500, there would be a same day withdrawal of that amount in cash or a series of withdrawals to bring the end-of-the month balance down to a manageable amount.

Rick Powell explained 6d [above]. Yesterday when we were interviewing her, she gave us three envelopes of cash totaling \$33,558.91. Cheryl brought them upstairs and Paula (Dowd) and Paula (Kuehl) came in and counted that cash. All of the withdrawals were taken out of the account in calendar year 2012 – 2013 and year-to-date 2014. Those were in three separate envelopes and the envelopes were mislabeled with different years on them and we pointed that out. The interesting thing it was very well organized with large denominations. If you were accumulating cash in small amounts you would expect to have change in there but there were large bills. We asked her about the records, she kept referring to the cash as records and it wasn't until five minutes later that we realized that her records were the cash in the envelopes. And I said okay what do have for years prior to 2012 and she didn't have anything. She stated that she destroyed everything. She indicated that prior to 2012 all the cash was used for disbursements. When I asked her about the accounts that the trustees were involved in and that

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the trustees are aware of, and how things are handled, she used the term "slush fund" and said the trustees wanted to keep the balance low because they didn't want the town to know about this account.

Chairman Paula Dowd asked Secretary Margaret Donovan and Treasurer Paula S. Laurent Kuehl if they knew about this account and each stated "No." Chairman Paula Dowd also said she didn't know about the account. Edward Vitone interjected that last Tuesday, a week ago, that same question came up and we polled everyone and Joe von Deck did not know about that account as well. Edward Vitone began on the board in April 2014 and Margaret Whitney began on the board in July 2014.

Senior Accountant Aneatra N. Comeau reviewed the Edward Jones account. That was opened by the board and is separate from the town's money; it is run separately from the town. Cheryl did have signing authority (in the past) but I could not find exactly when she was taken off the account. It is believed she was taken off four years ago.

In 2009 there was a debit card that she used for petty cash expenses through July of 2012. In reviewing the trust fund account, the biggest thing that stuck out to me was that there were checks made payable to "Stevens Memorial Library" which doesn't quite make sense to pay an expense from the library account.

Rick Powell asked the director why didn't you have an account with checks that you could verify? Why didn't you pay the check to the person rather than deposit into Athol Savings Bank account where you can't write any checks and pay the person in cash? The Library Director Cheryl was confused, she didn't know why. I'm not saying that is an opinion; those are some of the words she said.

Edward Vitone asked who wrote the checks and Senior Accountant Aneatra N. Comeau stated that we do not have the copies but it is the Edward Jones account. I originally looked at 2009 and had the binder and there were three checks written to "Stevens Memorial Library" which did not quite make sense. So I tried to trace them to the Athol Savings account to see if I could find them and what I saw was similar amounts deposited. For instance, there was one written August 5, 2009 according to the August bank statement and a deposit on August 6, 2009 it was for \$4,747 and on August 24, it was \$4,500 drawn.

So I went back further because I had the trust fund book and I reviewed all the way to 2000 and a total of \$51,782 was written from the trust account (Edward Jones) to the "Steven Memorial Library." 2000 was the first one we saw. Edward Vitone stated that we don't know if they went into the savings account because the records (that we currently have) only go back to 2007.

In 2001 the Edward Jones statements listed the checks number and the amount but not to whom the checks were written. So Edward Vitone and I took a sample of the larger checks that were noted in 2000 and 2001 and asked the bank to give us copies. We only got four back but three out of four were to "Stevens Memorial Library." There could be more for 2001 and there could be more for 2000. I have one for 2000 for \$2550. In 2001 there was \$8,913 and in 2002 there was \$11,122 and 2003 there was \$9,007 and 2004 there was \$7,030 and 2005 there was \$10,000 and there was none in 2006 to 2008, and there was \$7,000 for 2009. So again there could be additional in 2000 and 2001 but we don't have those records. Rick Powell stated that those amounts in 2007 we know were deposited in the Athol Savings account.

Treasurer Paula S. Laurent Kuehl asked if they were looking at the checkbook for the Edward Jones account. Edward Vitone asked if there was a ledger that you were looking at with the checks recorded in it.

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Senior Accountant Aneatra N. Comeau stated that another thing they noticed in the Edward Jones account was there were checks issued to employees but we are not sure of the amounts.

Treasurer Paula S. Laurent Kuehl stated that her understanding, and she may be incorrect, is that in the past employees were paid for weeding the grounds and preservation work and we voted to stop that practice and Rick Powell agreed that it had been stopped.

The trust fund is reported in the annual town report and he noticed inconsistencies with that. The debit account was never reported in statement. And also the income (from the Whitmore trust) was not included. And then another thing there were instances, probably what you mentioned, where there were contractors that were paid, and this isn't significant but they were paid over \$600 requiring a 1099 form. Margaret Whitney stated that at the last meeting the Library Director planned to issue the 2014 1099's soon.

Edward Vitone asked what else do we have to give independent contractors besides the 1099? Rick Powell explained that if they are town employees we should not give a 1099, but they should all come under payroll. If you pay over \$600 or more in a calendar year (to an independent contractor) it requires a 1099. In addition to that whether you are incorporated or not you are required to report that as well. A good policy is to request a W9. It is easy to get the forms up front than it is to chase someone down at the end of the year. Just get the stuff up front. Treasurer Paula S. Laurent Kuehl asked if it was the calendar year and Rick Powell confirmed the 1099's are for a calendar year. Edward Vitone stated that we would need to hold people's social security numbers and that is a security concern. Rick Powell asked if the town keeps that information and Maggie Whitney stated that the town does keep that information and it is Sylvia, the assistant to the town administrator, who is responsible for keeping the social security numbers. Rick Powell stated that social security requires high security and consideration should be given to having the town hold all social security information.

Senior Accountant Aneatra N. Comeau continued to state that the next thing that was a big issue was between 2000 and 2008 when there was a number of stock sales. I did not see any sales recently. Normally you can trace that in the meeting minutes to make sure they were authorized. It should be reported. Stock was sold but it was not mentioned in the minutes. The proceeds should be returned back to the stock account.

Treasurer Paula S. Laurent Kuehl stated that information about six months from Edward Jones stating the library has a very large account that could be earning more for the library. Rick Powell stated that it would be good to have an investment policy in place regarding Edward Jones that states objectives, goals and risks. It typically would be done by the treasurer who would be the chair of the investment committee. If it is size of the board is small, the trustees could be the committee.

Secretary Margaret Donovan stated that years ago a representative Bob Fairbanks from Edward Jones came once a year and would go over the account. I'm not sure who was on the board then but I think when the trustees decided to go with Edward Jones they did have some sort of plan but that should be somewhere.

Senior Accountant Aneatra N. Comeau continued on the internal controls. In 2002 the town accountant began copying the trust fund statement which is good because that means someone else is looking at them and copies are often sent to the treasurer.

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In her interview, Cheryl had stated that the checkbook is kept at the residence of the treasurer. Treasurer Paula S. Laurent Kuehl stated that she normally kept the checkbook at her residence for the last probably five or six months trying to get myself more familiarized with the account.

Senior Accountant Aneatra N. Comeau mentioned in her review of the board's more recent minutes, it looks like that the board is requesting copies of receipts. Edward Vitone stated that it has not been done but we talked about following a procedure similar to how the School Committee does it. They have a voucher and behind that is every single invoice. Chairman Paula Dowd stated that no checks can be written from the trust until it comes across the table. Treasurer Paula S. Laurent Kuehl has the invoices when I'm writing the checks.

Rick Powell stated that the *Friends of the Library* had some issue that we looked into about security. In her interview Cheryl indicated that some people have keys or combination to the safe. She thought things were missing and when we asked there was a slip of paper she left at the desk when she went on vacation with \$220. Edward Vitone stated that she did find it. Rick Powell stated that she (Cheryl) had general mistrust. She stated that the envelopes of cash had been storing in the safe but that other people that went into the safe probably won't recall seeing them. Chairman Paula Dowd stated that when she (Cheryl) was put on leave Chairman Dowd went to the safe with another person and went through everything and that money was not in the safe. Rick Powell stated that she (Cheryl) did get nervous at one point. On Tuesday, reading the minutes you guys told her to please go get the records you have. If these envelopes were down here in the drawer isn't that the perfect time to bring them out. She (Cheryl) stated that she panicked and she didn't know what to do. That was her response. According to Senior Accountant Aneatra N. Comeau she (Cheryl) stated that there was nothing there and stated the same thing to Chairman Paula Dowd. She stated that she was going to tell Chairman Paula Dowd on Tuesday (about the envelopes of cash) but she was too scared. Rick Powell stated that he did not know when she claimed she actually moved the cash from the safe to the drawer downstairs. However cash of that size in envelopes is not a good thing.

Overall, Rick Powell then questioned where do we go from here. These are our findings. Our review of that cash account showed disbursements of \$105,000 in seven years. We did not look back any further than that. There could be a bunch of other money too. This is seven years out of 21 years.

When talking about discussions with the assistant branch manager at Athol Saving Account information, Edward Vitone asked the assistant branch manager whose name was on the account. The assistant branch manager wouldn't say whose name was on the account, so we guessed Cheryl. The assistant branch manager said yes. Edward Vitone asked if there was more than one and the assistant branch manager said yes. We then guessed Melanie Gallo and the assistant branch manager said yes. So we called Melanie and asked if she would come down to the bank. She did and Melanie made the request to get some of the bank documents. Secretary Margaret Donovan asked when did you contact Melanie? Edward Vitone stated it was the 20<sup>th</sup> of June. Secretary Margaret Donovan stated that we told about it on July 8. Edward Vitone said that he had to pay to get the bulk of the bank data and that took another several days to be produced. The fact of the matter is that I had no idea what I was looking at and as I told you last week I sought legal advice about this. There is a lot of strange data. I'll give you one example. Cheryl goes out for four months on administrative leave yet two [bank] statements are getting mailed to the library every single month. Where did they go? How did they not get opened with the mail by someone? How could they not have been identified? Cheryl was on administrative leave and told not to do anything for the town and yet checks made out to "Stevens Library" were deposited when she was

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on leave. And when I saw that stuff I was concerned. Secretary Margaret Donovan asked if there was records of that going on. Edward Vitone replied yes. Treasurer Paula S. Laurent Kuehl then asked if there were checks deposited while she (the director) was on leave. Edward Vitone said that there were. Treasurer Paula S. Laurent Kuehl said that if Cheryl was not allowed access to the library, could she come in to the library? Edward Vitone stated that he has no idea. What I can tell you is that I showed this to you on Saturday (copy of the check that was deposited). Treasurer Paula S. Laurent Kuehl then asked how long Melanie Gallo was on the Board of Trustees. Secretary Margaret Donovan stated that it was approximately 20 years. Edward Vitone stated this is what I have here and I showed this to Paula this Saturday. Cheryl gave me (Edward Vitone) a timeline of the events leading to the \$20,000 fine for not getting the chair lifter inspected on time and that timeline showed that Cheryl was placed on administrative leave on this day (March 11, 2013) and the timeline said she returned on this day (July 22, 2013). If this is correct you will see a withdrawal of \$250 on March 13<sup>th</sup> and you will see a deposit on March 21<sup>st</sup> of \$60.85 and a withdrawal of \$60 on the same day. When I saw that I was very concerned. I didn't know what I was dealing with. I have the check here. Chairman Paula Dowd stated that when she was on leave she (Cheryl) had been told not to have anything to do with the library and not to be on town property. Treasurer Paula S. Laurent Kuehl stated that she can't say town property. Chairman Paula Dowd asked why she was taking money out of the Athol Saving Bank during that time when she was told not to have anything to do with the library. Treasurer Paula S. Laurent Kuehl then stated that you don't know that she was the one who deposited. Edward Vitone stated that is exactly right and to my point: the deposit scared me because that says that someone else potentially knew about the account and someone else potentially deposited it. So that scared the daylights out of me because then it goes on beyond one person and it is bigger than that – right – and that is when I saw a lawyer. Chairman Paula Dowd ask Secretary Margaret Donovan if anyone knew about that account. Secretary Margaret Donovan stated that she honestly is surprised to say the least and I honestly don't know. Chairman Paula Dowd asked how long the bank keeps the video and Edward Vitone stated he believes that it is 90 days.

Edward Vitone asked Rick Powell if he had anything else to share with us and Rick Powell stated that at a minimum the trustees need to get control of the accounts. Edward Vitone noted that the account names were changed and Treasurer Paula S. Laurent Kuehl noted that the address was not changed. Edward Vitone stated that the account has not been changed to a checking account because the bank needs more data.

Rick Powell stated that that was all he had. Without assigning blame, there seems to be plenty of issues especially when cash shows up in envelopes like that. That is something you don't see. I wouldn't stop here. As far as an outside auditor, there are limited records and limited access to them. Maggie Whitney asked why the library needs the saving account. Edward Vitone stated that probably need a checking account if we are collecting money. Maggie Whitney asked again why do we need the Athol Savings and Chairman Paula Dowd stated that we don't. Rick Powell then stated he doesn't know what the original intent of the account was. Edward Vitone stated the names were changed and it is still a savings account. Treasurer Paula S. Laurent Kuehl stated that the only people who have access to withdraw or deposit is her and Chairman Paula Dowd. Rick Powell stated that it is secure now and need to decide on long term what to do.

Edward Vitone stated that we have a lot to do. These are my words not theirs: there is gross financial mismanagement to have that much cash around and no records. I said that I think we fell far short of our financial responsibilities. The question is what do we do next? We have this \$33,000 that was presented to the auditors yesterday by the director. The original monies that I said was over a \$100,000 last week, and it is still around a \$100,000 because we got cash back now with \$33,000 and that still leaves us with

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\$71,000 of unknown use of the money. We also went back to MLAA funds from 2001 to 2006 and there are unaccounted funds of an additional \$28,000. If you add the money together that is about 100 grand of monies that we don't understand where it went. The (total history of the) MLAA (grants) have yet to be examined. So next time there could be several hundred dollars and I can't guess how deep the unaccounted for money is. Cheryl pretty quickly pulled out cash receipts (for the MLAA funds) she had from the treasurer's office in 2009 and 2008. So Rick Powell went over and looked at all the cash that went from the library to the town related to the MLAA and he went back as far as 2001. Some of it went to the town but majority did not go to the town. Maggie Whitney asked where did the money go and Edward Vitone stated we don't know because it is unaccounted for.

Edward Vitone stated that he has listed three options:

- Do no more audits
- to continue to pay a professional accounting firm to keep digging and go back another 15 to 25 years which is what we are kind of looking at
- Turn audit over to an independent agency where there are a lot more investigative powers and won't consume any library financial resource. I was thinking of the Inspector General.

Again I want to emphasize what was stated last time: no one is alleging the wrong doing but we do have a fiduciary responsibility; our job is to know where the funds go and we don't know where they are going. We are trying to account for these missing funds.

Edward Vitone then asked if there are other options than those three that we should consider. He then suggested that we go to the Inspector General. He asked for discussion and more options. Secretary Margaret Donovan stated that this is overwhelming right now and the members agreed. She then stated that we should talk to Joe von Deck about this. Edward Vitone stated that he did not think so. We are here now and we have a quorum. I'm telling you what I think and you can do what you want. To me doing nothing is not an option. Secretary Margaret Donovan stated that she was not saying do nothing. Treasurer Paula S. Laurent Kuehl then stated it was trying to include Joe von Deck on the same page. Maggie Whitney disagreed; she continued to say that she just started and I'm hearing all this. We need to put controls in and I'm not going to jeopardize myself and my family down the road. Being a selectman and on the advisory board I know how serious this is – there are controls to follow, you have to do what is needed to do and if we wait it will be another month before we meet again.

A motion was made by Maggie Whitney to go to the Inspector General. Edward Vitone then suggested the following motion: To go to the Inspector General, disclose the audit findings to date and ask them to continue the audit. And they will come back and tell us what they think. Maggie Whitney stated if everything is okay there is nothing to worry about. She also stated our goal is for the best the library and the citizens and Edward Vitone agreed. Treasurer Paula S. Laurent Kuehl asked if the Inspector General has full rein and he can get any information from the savings, from the bank, from Edward Jones. They have the ability to get everything and anything. The professional auditors we engaged cannot get special permission but the Inspector General can. Rick Powell stated I don't want to turn work away but it will not be cost effective for you to pay us to do audits with lack of documentation. In other engagements we have done we actually do a report and need a lot more information and submit it to the police. That could be a sizable amount of money and looking at a number of years and this is just scratching the surface on seven years with indication that it goes back much further than that. I think you need someone who can be far reaching. I am confident that things aren't going to come out clean. We have some serious problems here and there is no question in that. When someone comes up with \$33,000 in cash in three envelopes and none of the trustee knew about it and it has never been accounted for, that is a serious

problem. With cash going from one account to another, and with a savings account with over 200 cash withdrawals is a significant issue. Now whether there is wrongdoing or just gross mismanagement or whatever it is I don't know. There are serious issues you have and paying us is not cost effective.

Treasurer Paula S. Laurent Kuehl asked Edward Vitone the two words he used on Saturday. Edward Vitone stated that the trustees could be inept or complicit. She stated that she would rather be inept and not complicit, thank you very much.

A motion was made by Maggie Whitney: I move that we instruct the chairman to disclose the audit findings of the Inspector General and ask the IG to complete the audit. It was seconded by Ed Vitone. He then withdrew his second to get the most accurate wording from Rick Powell.

Bill Johnson stated that he unfortunately had a little bit of experience in a situation like this when he was on the School Committee. He stated that the board should consider giving a call to the District Attorney's office. He stated that we are fighting with fire. To get another government agency to come in and look at it is just going to cause delays. This is the exact same scenario that played out with another situation that I was involved with. He stated that issue ended up costing Ashburnham and Westminster \$1.2 million. There is a long history here and the previous investigation brought out facts and no action was taken and now you have a lot more money. He also said that there are other groups in town that can go to the District Attorney.

Treasurer Paula S. Laurent Kuehl stated for the record, and how do I put this politically and politely because she disagreed with Bill Johnson, she did not want to start sling mud just yet and does not want it to be a witch hunt. She wants to do this in a civil manner. She wants the Board of Trustees to go forward with how we are comfortable with going forward with what we think is the best thing for the citizens for the town. I don't know what the outcome will be but I believe this is the civil way to go with the third option. Maggie Whitney stated that Bill Johnson was just giving another suggestion.

***A motion was made by Maggie Whitney to instruct the chairman to disclose the audit finding to the Inspector General and ask the Investigator General to initiate investigation. It was 2<sup>nd</sup> by Edward Vitone. A roll call vote was taken:***

<b><i>Paula Dowd</i></b>	<b><i>In favor</i></b>
<b><i>Maggie Whitney</i></b>	<b><i>In favor</i></b>
<b><i>Paula S. Laurent Kuehl</i></b>	<b><i>In favor</i></b>
<b><i>Edward Vitone</i></b>	<b><i>In favor</i></b>
<b><i>Margaret Donovan</i></b>	<b><i>In favor</i></b>

***The vote was unanimous.***

Secretary Margaret Donovan asked that everyone be kept informed during this investigation so that there are no surprises. Edward Vitone stated that we should meet weekly to get our arms around this because we have a lot to do. I think there is another unpleasant thing I want to place on the table too. We look to the library director as a leader, setting an example, doing things by the book, exercising strong financial leadership, strong management leadership. Quite frankly what I heard from the accountants, we are quite the opposite of that. This kind of behavior is unacceptable by any management standard. I think we should have a disciplinary meeting with the library director. If someone said what kind of behavior would I find acceptable when you were hiring someone I guarantee you if anybody had something like this on their resume, three envelopes of cash and no records, we would not engage this person. And our

job, in my view, for the salary we are paying, is to bring the best possible leadership to the town. As leaders that is our job in my view. This (situation) is worthy of discipline. We could get the process laid out from town counsel. He asked if there was any discussion or feelings. It would be a disciplinary hearing up to possible discharge and we have a meeting and we land wherever we land. To do nothing is condoning unacceptable management behavior and unacceptable fiscal responsibility. Chairman Paula Dowd stated that at the last meeting we asked her three times if there was any other money we should be aware of three times she said no. Then when we asked her about the Athol Savings bank the account had been closed and no longer existed. So she absolutely lied to the board. Edward Vitone noted that everyone here said they had no knowledge of this account or the accumulation of cash out of the bank. Sounds like the director threw the trustees under the bus saying that we were all complicit in that because we had knowledge of it. He asked Rick Powell if he captured that correctly and Rick Powell responded yes. So that says we intentionally violated the MA General Laws which is a reporting responsibility. So she says we are complicit and I know that is not true for me. Maggie Whitney stated that there is so much information in the Massachusetts Trustees Handbook. Rick Powell stated that we are dealing with the public trust. As I said earlier there is no good reason to have cash.

***I move that we send a letter advising her of a discipline hearing to be held Monday, July 28, 2014 at 4 p.m. discipline up to including discharge and further authorize the chairman to send said letter. The motion was 2<sup>nd</sup> by Treasurer Paula S. Laurent Kuehl. A roll call vote was taken:***

<b><i>Paula Dowd</i></b>	<b><i>In favor</i></b>
<b><i>Maggie Whitney</i></b>	<b><i>In favor</i></b>
<b><i>Paula S. Laurent Kuehl</i></b>	<b><i>In favor</i></b>
<b><i>Edward Vitone</i></b>	<b><i>In favor</i></b>
<b><i>Margaret Donovan</i></b>	<b><i>In favor</i></b>

***The vote was unanimous.***

The Board of Trustees thanked Rick Powell and Aneatra N. Comeau for their though work. Rick Powell then recommended before the July 28, 2014 meeting that the trustees institute control on handling of petty cash and change the locks.

Edward Vitone added that the cash in the envelope covers three years. For one of those years Cheryl sent a certification to the MLAA saying that she spent the money on salaries. We know the check was deposited here (at Athol Saving Bank) and so...they both can't be right.

Paula S. Laurent Kuehl wanted to know how much vacation Cheryl has remaining. According to Secretary Margaret Donovan Cheryl has about 200+ hours of vacation time. Edward Vitone made a telephone call to town counsel.

The combination of the safe was changed by a locksmith and Chairman Paula Dowd handed the bill for the combination change to the board for payment. Chairman Paula Dowd and Treasurer Paula S. Laurent Kuehl are the only ones who have the combination.

***Secretary Margaret Donovan made a motion that we accept the bill for the changes of the safe combination and it was 2<sup>nd</sup> by Maggie Whitney and the vote was unanimous.***

Maggie Whitney asked if the library alarm needs to be changed.

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Town Counsel stated that if we place the director on administrative leave, it requires a two day notice. The meeting will be need to be posted tomorrow before 11 a.m. to have an administrative leave meeting on Friday, July 18. If the director choses to stay out on vacation that would be no problem.

Town Counsel recommended two day vacation and then have the meeting on Friday. Maggie Whitney stated that Cheryl should be called today and be informed especially with the press at the meeting. Margaret Donovan and Paula Dowd called Cheryl and Cheryl agreed to take vacation on Wednesday and Thursday.

Edward Vitone suggested that someone would need to drive to Cheryl's home and present her with the letter. Treasurer Paula S. Laurent Kuehl agreed to deliver the letter to Cheryl's home.

Edward Vitone stated that we are doing the right steps and knows this is a shock to everyone.

Secretary Margaret Donovan stated that she would post the meeting.

***Edward Vitone made a motion to have a meeting to discuss administrative leave for the director. The meeting will be on Friday, July 18, 2014 at 11:00 a.m. at the library and it was seconded by Treasurer Paula S. Laurent Kuehl. The vote was unanimous.***

***Treasurer Paula S. Laurent Kuehl made a motion that the Chairperson Paula Dowd authorize Edward Vitone to sign the letter in her absence from the town council regarding administrative leave and was 2<sup>nd</sup> by Maggie Whitney. The vote was unanimous.***

***Secretary Margaret Donovan made a motion to give Treasurer Paula S. Laurent Kuehl authorization to drive the letter to Cheryl and it was 2<sup>nd</sup> by Maggie Whitney. The vote was unanimous.***

Edward Vitone read an email from Town Administrator Doug Briggs regarding the "Green Energy Community." The "Green Energy Community" Committee consists of Ashburnham Light Department Manager Stan Herriott, member Mark Carlisle and Town Administrator Douglas Briggs. The email stated the following:

*"There is a five step process in becoming a "Green Community" of which we have satisfied three. Once we become a green community we will receive a grant for about \$150,000 plus. In Step 4 we will have to show a plan for a 20 % reduction in energy in a three year period and the committee has identified the Library and Town Hall as our best prospect to help meet this goal. Replacing the boiler in the Library is one area we believe will help in improving efficiency. There will be a need for an energy audit for a baseline of which Stan will work to set up, but he believes there will be a \$5,000 cost. We were looking to the Library Trustees as a source of this funding with the understanding that \$75,000 to \$100,000 will be used to upgrade the Library once we complete the Green Energy Process and receive the grant. The committee would like to discuss with the Trustees at their earliest convenience."*

Edward Vitone informed the trustees that Stan Herriott will retire at the end July. Since Stan knows the application process, there is an advantage to proceeding now. It requires a commitment from us to spend \$5,000 for the energy audit with a potential benefit of a new boiler and new lighting for the library.

***After a brief discussion a motion was made by Secretary Margaret Donovan and 2<sup>nd</sup> by Edward Vitone to spend the \$5,000 out of the trust fund to go green. The vote was unanimous.***

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Maggie Whitney offered to contact the Town Administrator that the trustees voted unanimously to go green.

Maggie Whitney noted that the email accounts for the trustees has been set up and ready to use.

Edward Vitone stated that he is trying to develop a budget for 2015. He also noted that the library must annually report financial, circulation, and collection statistics to Boston and the trustees are supposed to approve it. He asked if the trustees had approved the report in the past. Secretary Margaret Donovan stated that we sign the grant but Edward Vitone noted it is not the grant but the data he was asking about. The budget and expenditures are reported in categories and currently expenditures from the trust account are not categorized. We need to begin categorizing all expenditures to facilitate generation of the report.

Edward Vitone noted that the trustees spend money from the trust for flowers, meals, food of any kind and gifts. The town is prohibited from spend tax payer money for such purchases. Because the funds come from the trust we may not be bound to the same requirement as the town. If, however, the trust says that expenditures must be spent for the benefit of the library, such purchases may not be allowed. He suggested that a letter be sent to the law firm of Erb and Erb asking them if such expenditures are considered "for the benefit of the library" or not. If they say "yes" or they say "no" we go from there. Treasurer Paula S. Laurent Kuehl gave an example of a library Christmas party. Edward Vitone explained that the town holds a party but everyone chips in. Town funds are not used. It may be fine for the library but we need to know.

Edward Vitone then suggested that since Paula S. Laurent Kuehl is writing and delivering the letter to be given to Cheryl the next day, it would be much easier if she was authorized to sign the letter.

***Edward Vitone made a motion to reconsider the vote on who signs the letter and that vote requires a 2/3 majority. It was 2<sup>nd</sup> by Maggie Whitney. The vote was unanimous.***

***Edward Vitone made a motion that Treasurer Paula S. Laurent Kuehl sign the letter and I will send her the email from town counsel. Paula can put the letter on library letterhead. The motion was 2<sup>nd</sup> by Maggie Whitney. The vote was unanimous.***

***Maggie Whitney made a motion to adjourn the meeting at 6:15 p.m. and it was 2<sup>nd</sup> by Treasurer Paula S. Laurent Kuehl. The vote was unanimous.***

Respectively Submitted,  
Maggie Whitney  
Acting Secretary