

May 28, 2025

The Cincinnati City Council
801 Plum Street
Cincinnati, OH 45202

Dear Members of Cincinnati City Council,

During public comments at yesterday's meeting of the Budget and Finance Committee, the council was informed about an audit of a Leveraged Support recipient conducted by the city's Internal Audit Manager. A copy of the report is attached.

Given the results of the audit, the city council should withhold city funding from this recipient for any outstanding claims and withhold funding in the FY 2026-2027 Biennial Budget until:

1) the Department of Community and Economic Development as well as the recipient have demonstrated sufficient implementation of the auditor's recommendations; and

2) the recipient provides an expanded audit by an outside certified public accountant concerning the salary reimbursements claimed by the recipient, which the audit report concluded were not sufficiently documented. **As noted below this situation creates the risk of contract mischarging.** The expanded audit should also determine the disposition of the \$14,000 in claims by the recipient that reportedly lacked any documentation.

The audit firm should be selected by the city and should report to the city, but the cost of the audit should be borne by the recipient.

The Internal Audit Manager's report was issued just last month. It covered the period 2024 and 2025. So, the findings are current. They are summarized below:

1. *"Contract management review and oversight needs improvements."*

The report indicates the following: the recipient sought reimbursement for one 6-month period that was greater than the amount allocated under the contract. For FY 2024, the file omitted required documentation: the workers compensation and liability insurance document was missing; one receipt submitted contained dates outside the contract period for FY2024; and one missing invoice for each of the FY 2024 and FY 2025 documents, totaling more than \$14,000.

2. *"The payroll journals contain insufficient information to determine whether contractual terms are upheld."*

By contract, the city reimburses the recipient 22.5% of the salaries for 10 employees but the audit report indicates that the documentation submitted by the recipient was

not sufficient to establish that the employees devoted 22.5% of their time to work under the contract.

The audit does not use the term, but the situation described by the auditor is a risk of contract mischarging. This occurs when a contractor charges one party, e.g., Cincinnati, for work performed for a different party under a different contract. Given that the recipient has received \$250,000 a year for the past 10 years (\$2.5 million), the loss to the city as a result of contract mischarging could be substantial.

3. *“A third party is unable to verify the terms of the contract.”*

By contract, the recipient is required to meet with the Department of Community and Economic Development twice a month to update the progress of the recipient’s contract performance. The auditor was told that the meetings occur, but no agendas or meeting minutes were maintained. This essentially means that the recipient’s performance under the contract is un-auditable. This increases the risk of mischarging.

4. *“The contract language should be updated.”*

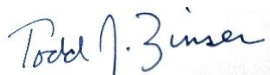
According to the audit report, the contract provides that “a representative of the City may join recipient on both a domestic and international business development mission.” However, the auditor reported that the contract is silent about which party pays for the travel.

The city should include in the scope of an expanded audit, an accounting of all travel conducted under the contract, including which party incurred the costs of any travel and an assessment of the compliance with the regulations that applied to the travel.

At current count, the city provides funding to more than 200 outside organizations ranging from hundreds of dollars to hundreds of thousands of dollars amounting to millions of dollars every year. As fiduciaries, city council members are obligated to ensure that public funds are used properly. In addition to requiring an audit paid for by the recipient in this case, at a minimum, the council should direct the city manager to audit a reasonable number of additional recipients in order to determine the extent to which a more robust oversight program of outside organizations is necessary.

Please let me know if I can answer any questions or if you would like to further discuss.

Sincerely,



Todd J Zinser
4114 Jamestown St.
Cincinnati, OH 45205

Attachment