Cincinnati Oversight Project

July 9, 2026

Memorandum For: JR Pritchard, Manager
Clark Schaefer Hackett

From: Todd J Zinser
Cincinnati Oversight Project

RE: City of Cincinnati Audit Engagement

The purpose of this memorandum is to identify areas that I believe may warrant consideration as part of your risk assessment and evaluation of the City of Cincinnati's internal control environment.

This letter is not to allege that the City's financial statements are materially misstated or that any individual has violated the law. Rather, based on my review of public records, budgets, contracts, audit reports, and City Council proceedings over the past few years, the following observations may inform your audit work.

An overall observation is that the City's control environment appears to be increasingly complex and decentralized, particularly with respect to the City's spending.

Based on our observations, there are legitimate questions as to whether the City's internal controls, governance processes and oversight mechanisms, have sufficiently kept pace with governance complexities in order to sufficiently provide reasonable assurance that City resources are managed appropriately.

Lack of Oversight of External Funding

During the past year, we issued several analyses in connection with the City's grant management and contracting activities. We found that:

- During the period 2020 to 2026, there were 24 external organizations that received grant funding every year, for 7 years, in virtually the same amounts, in what were described by the city as "competitive grants." . The amount of funding received by the those organizations during that period totaled $86,022,200. That funding history for these external organizations does not appear competitive. **(Exhibit 1)**

- In FY 25-26, we found that 7 program-level grant recipients in turn funded 235 grantees and subrecipients totaling $20,093,667. **(Exhibit 2)**

- We found a fragmented system of 34 different funding programs operated by the City, including 15 "competitive grant programs," and 19 "Federal Housing/CDBG Programs." **(Exhibit 3)**

- The City's Human Services Fund appears particularly complex. The Fund is administered by the United Way. The publicly available documents show funding for 73 "projects" in one year totaling $7.9 million, in 3 different categories. However, several grantees received funding for more than one project in a single category; several grantees received funding in more than one category; and several grantees also received funding from other leveraged support or programmatic funding from the city. **(Exhibit 4)**

Other than limited audit coverage by the Internal Audit Manager, there is no visible, structured, oversight program concerning the City's external grant-making. As a result, there is little, if any, transparency and accountability with respect to: 1) How the city funding for external organizations is actually used and 2) whether the grantee performed in a satisfactory way and achieved grant objectives.

Railroad Money

Cincinnati is in its initial years of receiving and deploying "railroad money," from the sale of the Cincinnati Southern Railway. Given that the Cincinnati Southern Railway Trust Fund is intended to operate in perpetuity, it is important from the outset that the City and the Board of Trustees establish effective rules and procedures consistent with the state law. Those rules and procedures must also be consistent with the public's expectations with respect to transparency and accountability in the operation of the Trust Fund and how the city accounts for and uses the proceeds it receives from the Trust Fund.

On December 10, 2025, local news media reported that the City had only spent 6% of the funds disbursed to the City from the Trust Fund. As you may know, the annual allotment from the Trust Fund is disbursed to the city in 4 quarterly tranches, whether the City is in a position to deploy the money or not. As a result, the city has already accumulated an estimated $100 million or more in unspent "railroad money."

The city's inability to deploy Trust Fund proceeds in a timely way, raises several immediate issues:

- We have asked the CSRT Board of Trustees to consider implementing a "draw down" system where the City requests the draw down of funds when the City is more reasonably able to spend the money.

The City has opposed this suggestion. In our view, keeping funds in the Trust Fund, instead of the City's investment pool, makes the railroad money more accountable and more transparent.**(Exhibit 5)**

- According to the city's Finance Director, investment earnings represent the city's third highest source of revenue. This may create an unintended incentive to maximize the city's investments using the proceeds from the Trust Fund. The state law does not address the city's use of Trust Fund proceeds for investment purposes. Your examination of the city's practice and whether there exists sufficient policy and legal guidance would benefit the city and the public's confidence that the city's governance and handling of the railroad money complies with the law.

- The City's growing accumulation of unspent railroad money has brought to light potential internal control gaps. As mentioned, the City is depositing unspent railroad money in its investment pool. As with other restricted funds, the city should properly classify earnings from the railroad money in a separate fund, akin to a restricted fund. The railroad money is restricted by state law in terms of its authorized purpose and must be strictly accounted for. In addition, currently, there is a significant lack of transparency in the City's reporting of the amount of railroad money it holds in its accounts.

- After the news reports about its lack of spending of the railroad money, the city reported that it had initiated a method for deploying a greater amount of railroad money. Reportedly, they began transferring railroad funds to older projects that had already been fully funded and then repurposing those original funds, presumably for capital budget purposes. We requested that the city maintain specific accounting documentation for such transfers of railroad money to ensure compliance with the state law with respect to the "existing infrastructure" restriction. This practice should be documented in the city's accounting practices. In addition, there should be documented controls in place to ensure that when railroad money is substituted on existing projects, there is documentation that those projects are eligible for railroad money.

Council-Directed Funding and Earmarks

The City's overall budget process for the FY27 update was structured and emphasized transparency, including approximately 30 budget presentations from the city departments as well as two presentations by the city's bond/credit rating advisors and 3 public hearings.

The same cannot be said about the process for council-directed funding, including funding for specific organizations and projects. There are several mechanisms available to Council members for directing funding to specific recipients, including Council priorities; one-time appropriations; capital subsidies; economic development allocations; and other earmarked spending that lack public transparency.

For example, the process allows the Mayor and the City Council members to seek modifications to the City Manager's recommendation for Leveraged Support grants prior to voting on the budget. **(Exhibit 6)**

The budget modifications for single grantees can amount to tens of thousands of dollars, yet there is no transparency supporting the modifications, i.e., what is the basis for the modification and the cost of the modification? Why was the grant amount proposed by the City Manager for this grantee insufficient? Is there a proper arms' length present in the funding recommendation?

In the wake of the bribery scandal involving multiple sitting members of City Council in the 2019-2020 timeframe, the city commissioned an audit of its economic development policies and practices, including its overall ethics posture. The audit was performed by Crowe LLP. A final report was issued in November 2023. Under Recommendation 3 on page 24, "City Business Conflicts of Interest," Crowe recommended the following,

> **Document council's involvement in selecting vendors during line-item discretionary appropriations. Establish additional safeguards to limit council's ability to attach money to specific firms without providing sufficient justification over vendor selection. (Exhibit 7)**

This recommendation directly applies to the Mayor and City Council's modifications of the City Manager's proposed budget for Leveraged Support. The budget process has not incorporated this recommendation.

We recommended that the City carry out a review of all the anti-corruption recommendations from the Crowe audit as well as the recommendations contained in the July 29, 2021, report of the Economic Development Review Panel. To our knowledge, the City has not taken any action with respect to our recommendation. **(Exhibit 8)**

The City Council Members also submit their budget priorities via memoranda to the Chair of the Budget Committee. There does not seem to be a prescribed format for the budget priorities memoranda. Nor are there standards established for the supporting information and documentation that should accompany the budget priorities. Such standards would help ensure that the public purpose of the proposed budget priority funding is sufficiently established to comply with the law and that there are no conflicts of interest.

For the past two budget cycles, we have made a modest recommendation that the Councilmembers include an attestation on their budget priorities, and other funding recommendations for specific organizations or projects. The attestation would say something to the effect that the Councilmember does not have a conflict of interest with any of the proposed funding recipients they are recommending. None of the memoranda this year or last contained any type of attestation. There may be other recommendations that could be made to promote greater structure, transparency and integrity in the process used by councilmembers when recommending budget priorities and funding to external organizations. **(Exhibit 9)**

Internal Audit Independence and Municipal Code Compliance

There is a provision in the Cincinnati Municipal Code that is designed to promote the operational independence of the Internal Audit Manager. Article II, Section 15 of the Cincinnati Municipal Code, provides in part,

> "The Internal Audit manager shall prepare a proposed and detailed yearly budget of what he or she deems necessary to adequately perform the duties of the internal audit division. **Such budget shall be provided directly to council for consideration as part of the budget and budget update." (Exhibit 10)**

We requested the annual budget submissions prepared by the Internal Audit Manager. In response, the city stated, "Internal Audit (IA) is a division under the City Manager's Office, (CMO). The IA Manager prepares the budget with the CMO's budget liaison and the budget analyst. The IA Budget is presented to the City Council as part of the CMO's budget." **(Exhibit 11)**

In other words, the City Manager is not in compliance with this provision of the Municipal Code.

This provision essentially requires the Internal Audit Manager to carry out some type of risk assessment to determine the amount of resources necessary to do their job. That sounds like a good exercise, even if it was not required by the Municipal Code.

The provision then requires that the Internal Audit Manager submit his or her budget request directly to the city council, bypassing the City Manager. That is a good way to institutionalize the independence of the Internal Audit Manager. Such provisions provide greater protection to the budget of the internal audit function from negative consequences that could result from critical audit reports about city programs and operations.

Procurement Controls and Moral Obligations

In January 2026, we sent an email to the Mayor, City Council and City Manager concerning "Moral Obligations." **(Exhibit 12)**

We found that in calendar year 2025, the city council approved 30 moral obligation ordinances and approved 14 "Then and Now Certificates," totaling $2.2 million.

The January 20, 2026, agenda alone included a Then and Now Certificate totaling $136,586.53 and 8 moral obligation payments totaling $47.651.55.

The concern is not that mistakes happen. The concern is that City Council's routine approval of moral obligation ordinances weakens one of the City's key financial controls by normalizing after-the-fact authorization. It may also indicate a deficiency in the control activities surrounding procurement and expenditures in the Departments, including the lack of contracting and procurement support staff.

Our January 20, 2026, email included 2 recommendations:

1. The council should require a written explanation, for the record, for each moral obligation and The & Now Certificate submitted for their approval.
2. The city should ask its financial statement auditor to examine the issue during their annual audit, i.e. self-disclose.

The dollar amounts involved may not be material but there should be a determination as to whether proper controls are in place to minimize the practice and to prevent fraud, waste and abuse.

Governance and Conflict-of-Interest Controls

On September 23, 2025, we sent a letter to Mayor Pureval and Members of City Council regarding, "Conflict of Interest in Leveraged Support Appropriation to Cintrifuse. (**Exhibit 13)**

We found that Mayor Pureval sat, and may still sit, on the Board of Directors for Cintrifuse, which is an annual grantee of the City. His tenure on the Board predated his election as Mayor and continued at least through 2025 and most likely to this day. Since 2020, Cintrifuse has received $1.675 million in funding from the city. While the Mayor does not vote on the City's budget, he is responsible for presenting a budget to the Council along with the City Manager. In 2025, the Mayor proposed a $25,000 increase in the City Manager's proposed grant amount, which was adopted.

Since our September 23, 2025, letter, we found that Mr. Pureval is also a member of the Board of Directors for an organization called Compass. They too are grant recipients of the city. Since 2020, Compass has received $395,000 in city grants.

Our September 23, 2025, letter included 6 options that could possibly resolve the matter. As far as we know, neither the Mayor nor the City Council have taken any action to publicly resolve the matter.

We also found that while Mr. Pureval disclosed his Board membership for COMPASS on his Financial Disclosure Reports to the Ohio Ethics Commission, he did not disclose his membership on the Board of Directors for Cintrifuse.

The internal control standards promulgated by the Government Accountability Office (GAO) provide that management should establish mechanisms to identify, evaluate, and respond to conflicts of interest. Based on Mr. Pureval's Board memberships for Cintrifuse and Compass, audit steps may be warranted to examine such City mechanisms, if any, to identify, evaluate and respond to conflicts of interest.

Contract Administration and Monitoring

The City's online spending dashboard reports that spending for contractual services during FY 25 and FY 26 combined, totaled approximately $500 million. Contract reviews during that period revealed significant weaknesses in the city's contracting monitoring and contract compliance.

Two of the contracts were audited by the City's Internal Audit Manager: The Regional Economic Development Initiative (REDI) was audited in April 2025. The Lead Service Line Replacement Program (LSLRP), managed by the Greater Cincinnati Waterworks , was audited in August 2025. In addition, our own examination of a no-bid, professional services contract, identified numerous compliance issues.

Regional Economic Development Initiative (REDI).

During the period 2020 – 2026, REDI received Leveraged Support grants totaling $1,745,000. The city is one source of REDI's annual funding.

The April 2025 report by the City's Internal Audit Manager contained 4 primary findings:

1. "Contract management review and oversight needs improvements."
2. "The payroll journals contain insufficient information to determine whether contractual terms are upheld."
3. "A third party is unable to verify the terms of the contract."
4. "The contract language should be updated."

These findings essentially conclude that the city's grant/contract with REDI was unauditable and also identified $14,000 in unsupported claims.

In May 2025, we submitted a letter to the City Council containing our observations about the REDI audit and we recommended that the City and REDI address the audit's recommendations before the City makes any further grant awards to REDI in FY26. The City chose to continue to fund REDI at a usual amount despite no public assurances that REDI had addressed the Internal Audit Manager's recommendations. **(Exhibit 14)**

The Lead Service Line Replacement Program (LSLRP)

An audit of the LSLRP in August 2025 uncovered potential criminal conduct by a member of the “Lead Pipe Crew,” who sold lead scrap from their job sites to one or more unidentified scrappers and kept the money for himself “to pay bills.”

Local media reported the GCWW’s mismanagement of the program and the misconduct. One member of the lead crew who took responsibility was permitted to resign. The other members were reprimanded, although GCWW’s investigative report does not describe the specific misconduct of the other lead crew members.

In order to comply with the federal and state laws and regulations concerning the handling of hazardous material, the GCWW had entered into a contract for the purpose of properly recycling the lead pipe. A dedicated, solid waste container was specifically set up at GCWW headquarters where the lead crew was supposed to deposit the scrap lead from their job sites. However, according to the audit report, the recycling contractor had not been contacted to service the container in the 5 years of the program.

While the Internal Audit Manager should be commended for her audit of the LSLRP, there are numerous details about the matter that remain unanswered even after the GCWW’s internal investigation. Perhaps the most consequential questions surrounds the disposition of the scrap lead.

Subsequent to the audit report and internal investigation, the GCWW met with the Ohio EPA and then sent the Ohio EPA a letter that stated that the scrap lead had been recycled. Neither the Ohio EPA nor the GCWW have responded to our requests for documentation that verifies the recycling of any scrap lead, let alone 5 years of scrap lead from the LSLRP. (**Exhibit 15)**

Without documentation of their recycling of the scrap lead, the GCWW is at possible risk of substantial penalties for its potential lack of compliance with the federal Resource Conservation and Recovery Act, which prescribes requirements for the handling of hazardous material. **(Exhibit16)**

Compliance Issues Concerning No-Bid Contracts

On November 6, 2025, the City approved the third amendment to a 2023 no-bid professional services contract with Iris Roley, LLC. On November 4, the city entered into a new no-bid “services” contract with the Cincinnati Collaborative Foundation. Iris Roley is the principal of both organizations.

We began examining the city’s contract and contract amendments with Iris Roley, LLC in the summer of 2025. On October 6, 2025, we sent a letter to the City Council raising questions about the contracting process and contract management involving the contract with Iris Roley, LLC. The letter identified several non-compliance issues with the City’s procurement regulations. Our letter cites several contract monitoring weaknesses. **(Exhibit 17)**

The City's no-bid contract with the Cincinnati Collaborative Foundation raises similar questions. On May 31, 2026, we sent an additional email to the City Council in which we raise 5 questions about the contracting process and the management of the contracts with Iris Roley, LLC and the Cincinnati Collaborative Foundation. **(Exhibit 18)**

According to the city's procurement regulations, sole source/no-bid contracts should be "extremely rare." Two no-bid contracts with the same principal, for similar, if not overlapping, contract requirements is probably even more rare.

This matter is being brought to your attention as an example of weaknesses in the City's contract management. However, these particular contracts take on added significance because they are managed and monitored in the immediate office of the City Manager by the immediate staff of the City Manager. Also, the contractor reports directly to the City Manager.

Under those circumstances, the City Manager's monitoring of the contract and contract compliance should be of such quality as to serve as a model for the rest of the city administration. However, as outlined in our October 2025 letter and our May 31, 2026, Questions About the City's Administration of the Iris Roley Contracts." There are numerous questions about compliance with the city's procurement regulations.

For example, we obtained invoices submitted by Iris Roley LLC that raise questions about their sufficiency. In August 2025 and again in May 2026, we requested documentation of the deliverables required by the contract and contract amendments but have not received a response to either request. For such issues to exist for a contract managed and monitored by the immediate office of the City Manager raises a red flag about the overall contracting operations of the city.

The city's contracting process and contract monitoring cited here exhibit multiple indicators of elevated risk and potential control deficiencies that warrant independent review.

Conclusion

These observations are respectfully submitted for your consideration as you plan and perform your audit of the City of Cincinnati's financial statements. As stated above, I am not alleging that the City's financial statements are materially misstated or that any laws have been violated. However, I believe these matters warrant appropriate audit consideration in assessing risk and, where applicable, additional audit procedures.

Thank you for your consideration of these matters. I appreciate the important role that independent auditors play in promoting accountability and public confidence in government.

LIST of EXHIBITS

1. Most Frequently Funded External Recipients, March 8, 2026
2. Tentative Analysis of City of Cincinnati Funding of Nonprofit Organizations, March 12, 2026.
3. A Fragmented System: 34 different Funding Programs in Cincinnati, March 21, 2026.
4. City of Cincinnati Human Services Fund, March 10, 2026.
5. Letter to Paul Muething Chairman, CSRT, December 17, 2025.
6. Table IV, Leveraged Support Recipients , FY 2025 Operating Budge Update.
7. Crowe, LLP Audit, Performance Audit of Council Actions, Page 24 Excerpt, November 2023.
8. Email to Mayor Pureval and City Council re: anti-corruption recommendations, June 1, 2025.
9. Email to City Council re: Public Hearing Comments on the budget, March 16, 2026.
10. Municipal Code provisions concerning the Internal Audit Division, 2004.
11. City's Response to a Records Request re: the Internal Audit Division, January 22, 2025.
12. Email to City Council re: Moral Obligations, January 20, 2026.
13. Ethics Letter to Mayor Pureval, September 23, 2025.
14. Letter to City Council re: the REDI audit May 28, 2025.
15. Letter to Ohio EPA re: Hazardous Lead Pipe Scrap, April 7, 2026.
16. Letter from GCWW to Ohio EPA re: LSLRP Audit and Investigation, May 22, 2025.
17. Letter to City Council re: City Contracts with IRIS Roley, LLC, October 6, 2025
18. Questions About the City's Administration of the Iris Roley Contracts, May 31, 2026

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