

**Elk Rapids District Library Board of Trustees
October 28, 2020 Special Meeting held via ZOOM**

approved 11.12.2020

1. Call to Order: By President Barb Johnson at 3.01pm

Members Present: Barb Johnson, Dick Hults, Karen Simpson, Liz Atkinson, Tom Stephenson, Julia Pollister Amos, Chuck Schuler and Diane Geddes

Members absent: None

Also Present: Director Miller and since this was a Zoom meeting, it was difficult to tell who else was attending.

2. Approval of Agenda:

Motion to approve the agenda by Schuler, seconded by Hults

Roll call:

Atkinson: Yes

Hults: Yes

Pollister Amos: Yes

Geddes: Yes

Stephenson: Yes

Simpson: Yes

Johnson: Yes

Schuler: Yes

Motion carried 8-0

3. Public Comment:

No one wished to speak

4. New Business: External Audit

Motion by Stephenson, seconded by Schuler to have an external audit for the purpose of recording the capital campaign donations recorded against the Elk Rapids District Library Capital Campaign account, this should also include an audit of the Friends of the Library account which accepts donations from the Capital Campaign as a 501(c)3. In addition, we will consult the attorney Michael Zahart that represents the library board before the audit is done.

Hults asked who Michael Zahart was. Johnson stated that he works for Foster and Smith Swift and he is a non-profit lawyer.

Stephenson said he made the motion because we've got to get this issue cleaned up because there is a lot of talk in town. We've had a complaint filed with the attorney general. There has been a mention in public meetings about mishandling of funds, even a hint of possible embezzlement and that there is over a million dollars with no record etc. We are losing the confidence of our

donors and citizens. One of the trustees on the Elk Rapids Township Board suggested that we should be doing an audit. I think that's an excellent idea to get this cleaned up and get everybody into sync and make sure all of the records are being totally transparent , make sure all the records line up.

Simpson agreed with Stephenson.

Hults said he agreed with Stephenson's comments and we need to ask the obvious question. Is there any personal or professional connection between the auditor that is proposed here and anyone on this board? All members responded no except Geddes who said she uses this firm as her CPA. Johnson stated that Seuryneck at Foster Swift recommended that we talk with Michael Zahart before we pursue the audit and that's why that is in the motion. Simpson asked if there were any other recommendations for auditors? Johnson said no. Simpson asked if anyone else had any recommendation that should be considered. Atkinson said Brad Neirgarth is a reputable firm. She also stated that she was confident in the audit report that was just received from Kammerman and Bascom but for public perception to go through this full audit with all of the components that raise money is important. Simpson agreed that all the different parts need to sync up. Hults asked if the Friends would allow this? Johnson said yes, that Tony Wittbrodt, (the Friends secretary) told her they would have an audit if we wanted them to. As a board we cannot pay for their audit because they are a separate entity. Wittbrodt was supposed to be at this meeting, but he isn't here now. He sent Johnson an email saying that they do approve of that and that they would like two more people to be on the Friends board because there is no president or vice president now. The Friends have not passed a motion to spend money for an audit. Rex Rudolf CPA (The Friends treasurer) , estimated the cost could be between \$5,000 and \$25,000. If this board requests an audit they could consider this at their next meeting. Johnson continued reading from Wittbrodt's email - Wittbrodt stated that he had been asked if the Friends board had ever requested that the Campaign stop fundraising. His recollection was that they had not ever advised that. Johnson stated that Nell ~~Whitman~~ (Lockhart) said that they had never done so. Simpson stated that was another whole subject and read from the operating agreement between the Library board and the Friends group done in 2019 which stated that "the Friends would make available to the library all work related accounts , records and documents for inspection auditing or evaluation during normal business hours in order to assess performance or compliance under this operating agreement".

Miller asked if no one asked the Friends to stop soliciting? Johnson said no and reiterated that Wittbrodt had stated that no one on the Friends had asked the campaign to stop soliciting donations. Miller stated that Gabby Hill had done that and that Seuryneck had sent an email indicating that Johnson should tell the campaign that they should stop soliciting money through the friends until this gets sorted out. Simpson declared point of order and said this is not being discussed right now.

Hults said he is 100% behind this audit but the only issue is that the Friends 501(c)3, according to the Attorney General's website, is invalid since 6.30.2019. Simpson stated that will be discovered when they do the audit. That's why Michael Zahart is being consulted.

Hults said in the auditor's proposal it stipulates he has to get total cooperation from all involved

in this audit. This is a key point. Transparency is a difficulty we have here, let's not forget the gorilla in the closet, it's taken 3 weeks to get this pledge thing sorted out, and if that's the kind of cooperation that is given to the accountants , this will cost a fortune. Everyone must be transparent and stick with that. Several people agreed.

Atkinson said that this audit is by no means a prerequisite authorization to a foundation. There is a lot of information that needs to be gathered. Simpson and Johnson stated that it had nothing to do with that.

Johnson said what was provided by the auditor was just an estimate.

Geddes asked if she should recuse herself because she uses them as her CPA? No.

Hults asked if a ceiling amount would be added to the estimate. Johnson said she could, but the Friends will pay for their own audit. Miller pointed out that the estimate included the Friends audit. Johnson stated that it's considered an audit of the campaign funds and the Friends. Hults asked if this doesn't move forward until the Friends approve it? Johnson stated that we can ask the Friends for an audit because it's in the operating agreement . Miller said the Friends have to be willing to pay for it and vote to approve that. Hults asked if Simpson was still offering to pay for the Friends audit. Simpson clarified that was for a different audit, not for this one. Hults asked if the Friends were current and Simpson stated that according to Rudolf everything was filed but we have not seen anything that says it's not right, as far as she knows she doesn't know if the friends have rectified any of the issues because no one but Hill knew what the issues were.

Schuler called the question.

Miller asked to have the motion re-read.

Stephenson re-read the motion as:

I make a motion to have an external audit for the purpose of reconciling the Capital Campaign donations recorded against the Elk Rapids District Library Capital Campaign bank account , this should also include an audit of the Friends of the Library account which accepts donations for the Capital Campaign as a 501(c)3. We will consult the attorney Michael Zahart that represents the board and the 501(c)3 before the audit is done.

Roll Call:

Johnson: Yes

Geddes: Yes

Stephenson: Yes

Schuler: Yes

Pollister Amos: Yes

Atkinson : Yes

Hults: Yes

Simpson: Yes

Motion carried 8-0

5. Board Comments

Hults asked how long will this process take? Johnson said 14-20 hours. They didn't give calendar time. Hults said this might be a good question to ask.

Geddes asked how would we compel the Friends to have an audit? Johnson said Wittbrodt said they are willing to do an audit if we asked them to. He's on the board of the Friends and is the interim president until they find others to take the president and vice president.

6. Adjournment

Motion to adjourn by Geddes, seconded by Simpson

Hults: Yes

Stephenson: Yes

Schuler: Yes

Geddes: Yes

Atkinson: Yes

Simpson : Yes

Johnson: Yes

Pollister Amos: Yes

Motion carried 8-0

Meeting adjourned at 3:21 pm.

Respectfully,

Julia Pollister Amos

Secretary, Elk Rapids District Library Board