

## MEMORANDUM

To: Mayor Morgan, East Cleveland City Council, the Financial Planning and Supervision Commission and the Office of Ohio Auditor of State

From: George E. Shoup III, Receiver for the City of East Cleveland (“EC”)

Date: March 6, 2026

Subject: Receiver’s First Status Report for the month ending February 28, 2026

This memorandum was prepared pursuant to the Consent Order for Receivership and R.C. § 118.29(C), requiring the Receiver to provide monthly written reports about the progress toward resolving the conditions of fiscal emergency of the City of East Cleveland (the “City”).

### **Introduction to City Hall**

The Consent Order Appointing George E. Shoup III as Receiver for the City of East Cleveland was entered on February 4, 2026. Mr. Shoup filed the Oath of Receiver on February 5, 2026. That same day, the Receiver and members of DSI Civic traveled to East Cleveland to commence work immediately. The Receiver and his professionals have been on site at City Hall full-time since his appointment.

On February 5, 2026, the Receiver and his team were introduced to the Mayor, Chief of Staff, Law Director, Finance Director, and two of the Councilmen. The City provided office accommodations and supplies for the Receiver and his team within the accounting/finance department offices.

During this first month on site, the Receiver has met with the Mayor and the City’s Finance Director multiple times. The Receiver has also met with the City’s IT Director and was provided access to the accounting system and software. And the Receiver was introduced to the City’s Law Director and has coordinated with the Law Director and his team on several matters, including review of insurance and human resources issues.

The Receiver has also met with the City’s Economic Director, Kamla Lewis, to better understand the City’s efforts to bring in economic development to the community. These meetings also expanded upon the City’s need for long-term planning and identified earlier versions of analysis prepared for the City for the development of a Planned Master Development Plan.

Separately, the Receiver has worked with the Receiver’s legal counsel and with the Law Director to identify liens, garnishments, and UCC to use in the preparation of the Receiver’s Motion for a Stay on litigation.

In sum, the Receiver and City professionals have collaborated, and will continue to collaborate, on gathering an accurate picture of the City's current financial circumstances and identifying both root causes of financial distress and opportunity areas to improve the City's short- and long-term financial circumstances.

### **Introduction to City Council and Community**

The Receiver was introduced to City Council and the community at multiple City council meetings shortly after being appointed. The Receiver attended the following City Council meetings in his first week:

- Thursday, February 5, 2026, at 6:30 pm: Contracts & Property;
- Tuesday, February 10, 2026, at 5:30 pm: Health & Safety; and
- Tuesday, February 10, 2026, at 6:30 pm: Finance

The Receiver and his team also accompanied the Mayor and members of the City Council to a Town Hall meeting on February 11, 2026. This provided an opportunity for the Receiver to be introduced to City residents and leaders. The Receiver gave a brief statement about the goal of this process and his dedication to improving the City's financial situation.

### **Attendance at Other Meetings**

The Receiver has participated in on-site and virtual meetings with the Ohio Auditor of State ("AOS"), Members of the Financial Planning and Supervision Commission ("FPSC"), and the Local Government Service ("LGS") to discuss financial history of the City and the concerns of the auditors, the commission, and the county.

These meetings have also been helpful; the parties exchanged information, prior work papers, analyses, budgets, and earlier reports and information requests about the City's financial circumstances. The parties are prioritizing sharing information openly, as this will help the Receiver's efficiency. This collaboration is also necessary, given the general lack of historical information and institutional knowledge that is available at the City (as discussed further below). The parties plan to continue holding regular meetings and conference calls to continue the progress they have made thus far.

Separately, the Receiver's team met with Judge Dawson and the staff of the East Cleveland Municipal Court to better understand how the court operates. This included discussions of the Court's budget, how actions before the Court can result in monetary contributions to the City's General Fund, and staffing concerns.

The Receiver has also met with Mayor Morgan and Deborah Black regarding the Victims of Crime Act grant funds and the Domestic Violence Program and funding.

The Receiver has reached out to outside vendors and service providers to obtain additional information on the City's current and historical financial condition, including:

- ADP: Payroll processing service;
- Preveer Consulting (Mark A. Parks Jr.): Legacy bookkeeping firm regarding the 2023, 2024 and 2025 accounting records and updating the monthly bank reconciliation from October 2025 to the present;
- OHM Advisors: Consultant to the City's Engineering Department regarding the status of pending projects, funding, and amounts outstanding to OHM and contractors;
- Regional Income Tax Agency ("RITA"): State tax collection agency regarding the timing and reporting of income taxes that RITA coordinates;
- County of Cuyahoga: County partner regarding the Receivership process and the County's offer to provide resources to the Receiver, including assisting with obtaining information on the financial programs and real-property-tax-revenue processes, as well as the County's offer to provide financial/operational assistance to the City and the Receiver through the County's finance department; and
- Cleveland Water Department: Water provider regarding information on revenue sources for the City from the refuse/trash-collection fees collected by the Water Department.

### **City Administration and Legacy Staff**

The Receiver's first month on the job was both productive and challenging. The mood in City Hall is upbeat, and city workers, leaders, and constituents have all been supportive and as helpful as they can be. The Receiver is happy to acknowledge this spirit of support and collaboration.

Nevertheless, the City's current financial circumstances are a result of many years of financial neglect, a lack of proper budgeting and appropriations diligence, and imprudent decisions. The Receiver was appointed shortly after the current administration took office, while the vast majority of the causes of the City's current financial circumstances happened under earlier administrations—and many causes relate back a decade or longer. While some legacy staff remain with the City, many of the legacy staff have limited institutional knowledge of how or why things were done the way that they were. These circumstances create an initial barrier to diagnosing root causes of the City's financial distress.

The Receiver and his team have met with most individual staff members. While current City staff are capable employees who do their jobs as they were trained, it has been the Receiver's experience that employees of distressed entities have often been trained to do only what the

senior supervisors or administrators wanted them to do (or that they themselves know how to do), which limits legacy staff's ability to quickly adapt to new tasks and workflows. This reality may cause an additional barrier to implementing necessary changes; however, the Receiver will work with the City to develop better workflows and retraining staff as necessary and appropriate.

### **Additional Initial Difficulties**

The Receiver and his team initially sent out multiple information requests and began reviewing all available financial records. However, it was immediately clear that the financial records for November and December 2025 had not been closed, and that activity dating back to mid-2023 through 2024 had not been recorded in the accounting system, either. This meant that the accuracy and validity of the accounting system data was in question. This situation was exacerbated by the fact that bank accounts had not been reconciled for a long period of time. In addition, it became clear that files, checks, vouchers, and invoices had not always been properly received or processed and that there was no consistent, reliable log or record of what debts had been incurred, what such debts remained unpaid, and what such debts had been paid despite not having been logged or recorded.

Because of the lack of credible financial data, the Receiver has determined that he must create a viable short-term cash flow projection as a way to evaluate and initially manage the City's present financial circumstances. Given the lack of information and available funds, the Receiver is monitoring the cash and checks written very carefully, while prioritizing payroll and other health and safety-related payments. The Receiver and the City's Finance Director review checks to be released on a routine basis. The use of cash is limited due to a lack of cash and identifiable long-term revenue sources.

### **Short-Term Priorities**

1. Stabilizing current operations and developing a near-term 3-month cash forecast/budget;
2. Modernizing and remediating aspects of the City's ADP payroll processing; and
3. Addressing cash forecasting reporting to identify incurred but unpaid liabilities.

The details of the Receiver's team's work on systems are further described in general terms in Appendix 1.

## **Long-Term Priorities**

1. Obtaining required consents for appropriations of near-term budget from required parties (City, Council, FPSC, and OAS)
2. Preparing the remaining 2026 monthly financial plan and obtaining required consent for appropriations;
3. Implementing proper policies and procedures, as identified by the OAS  
Assist OAS and LGS with information requests to complete the 2021-2024 financial audits;  
and
4. Preparing a 5-year recovery financial plan.

## **Appendix 1**

### **Financial Reporting**

- Obtain access to the City's financial reporting system, Authority Finance by Civica.
  - Receiver's team worked with Claude Mitchell (IT) to establish permissions and constant access.
- Review historical reporting within Authority Finance to obtain a preliminary understanding of:
  - The City's fund and department accounting;
  - Revenue sources;
  - Historical payments; and
  - Outstanding payables.
- Verify accuracy of disbursement reporting by vouching actual invoices to entries in Authority Finance.

### **Cash Sources and Uses**

- Review transaction-level detail within US Bank for the period February 1, 2025, to February 20, 2026.
- Identify deposits and categorize them by revenue source, including but not limited to EMS revenue, permits/registrations, and infrastructure funding.
- Identify payments and categorize them by general expense categories.
- Review bank transactions and apply the general ledger account to facilitate further analysis.
- Summarize bank activity into a monthly format to identify timing of critical or large receipts/disbursements.
- Discussions with Accounts Receivable regarding processes for identifying and recording revenue.
- Discussions with Accounts Payable regarding the City's billing process, evaluate critical issues.

## **Personnel**

- Obtain access to ADP payroll processing services.
- Review historical payroll reporting to understand employee/employer deductions and trace to bank activity.
- Review payroll submitted for the pay date February 27, 2026, for reasonability against estimates.
- Categorize payroll reporting by department to facilitate further analysis of personnel costs.
- Discussions with HR regarding historical payroll processes, evaluate critical issues.