



**City of Newport  
City Council Workshop Meeting Minutes  
November 1, 2012**

**1. ROLL CALL -**

**Council Present** – Tim Geraghty, Bill Sumner, Tom Ingemann, Tracy Rahm, Steven Gallagher

**Council Absent** –

**Staff Present** – Brian Anderson, City Administrator; Bruce Hanson, Supt. of Public Works; Curt Montgomery, Police Chief; Mark Mailand, Fire Chief; Renee Helm, Executive Analyst; Fritz Knaak, City Attorney;

**Staff Absent** – John Stewart, City Engineer

**2. DISCUSSION REGARDING CREDIT CARD RECEIPTS FOR 2011-2012**

Admin. Anderson presented on this item as outlined in the November 1, 2012 City Council Workshop Packet.

**Mayor Geraghty** – Staff did spend considerable time on this. I don't know where we want to go with this.

**Admin. Anderson** – I guess all of you have seen the information. I did go back to 2007 and it basically shows that approximately 50% of all credit card receipts have been submitted except for 2012 where 96% have been submitted and you can guarantee that it'll be more in 2013. We could go back to get some of those receipts. I think a lot of them have to do with lodging or some other big items like Tinucci's where we had a volunteer appreciation dinner. We could go back but I'm not sure why. It's pretty obvious looking at the statement what those bigger purchases are. It's up to the Council on where they want to take this. It doesn't seem like any one is looking to carry this out any further but I am here for questions. I did talk with staff about it and they said that there was never any push to hand them in before. We found out too that there was never a question of misuse so if it was a smaller item that they knew they weren't going to return they threw away the receipt. Now, we submit everything to Deb and she files it accordingly.

**Councilman Ingemann** – Staff was pretty much following what the procedure was from years ago.

**Admin. Anderson** – Yes, and it wasn't the first question I had in mind when I came on as City Administrator. You can see I didn't turn in every receipt but we ended up working with our auditor and established a policy that fits the City and I believe the problem has been corrected.

**Mayor Geraghty** – We did establish a policy that requires receipts so moving forward we should have 100% of them. I don't think anyone has accused the City of misuse or abuse. Staff was following past practices and policies. The only thing that upset me was the fact that they threw out a number of \$24,000 and then based on the information they had, they couldn't really see if we had 50% or 100% of the receipts, they just sort of threw out a number and made it appear that we were somehow abusing the use of the card in the amount of \$24,000 a year. I know it was thrown out there for political reasons and I think it's misleading and unfair to the City and staff and their reputation. They did nothing wrong.

**Councilman Rahm** – I do have a few questions. On the things that we got from Mr. Flood, it looks like from the public data requests that Mr. Flood did not request any information, it was only Pauline and NEWCO.

**Councilman Ingemann** – NEWCO requested one and everything else was Pauline.

**Admin. Anderson** – Let me clarify too that when they come in, Curt is the only one who sees the request.

**Councilman Rahm** – Yes, so the only way that he could have gotten those items was from Pauline?

**Mayor Geraghty** – He told me that.

**Councilman Rahm** – And we've provided everything they requested correct?

**Admin. Anderson** – Yes. Also, if we don't keep a record of things then we can't provide it to them. We don't have to recreate or create something for them?

**Councilman Gallagher** – You mean you don't have to go back to the store and request the receipt?

**Admin. Anderson** – Or create a special report.

**Councilman Gallagher** – Ok

**Councilman Rahm** – I just want to make sure of a couple things, who requested the public data and were they given the data they requested.

**Councilman Sumner** – Do we have any idea of the staff time that was used for this project?

**Admin. Anderson** – Usually there's about three staff members and it took a lot of time to assemble the information and print it off. Curt has to go back through it to blackline anything that isn't public data. What you're going to see, mainly because of this, is a request on the 2013 fee schedule to charge staff time. That'll be a question for the Council. Not only that but I do talk to consultants such as the auditor and attorney so there are those costs as well.

**Councilman Rahm** – Well when people ask for it, we're required to do it.

**Admin. Anderson** – Yes, absolutely.

**Mayor Geraghty** – Well I know in Cottage Grove people are waiting two years for their requests. We did this in a timely manner and efficiently.

**Councilman Rahm** – Some of the questions that I've received are about some of the charges to restaurants, golf clubs, and the question is do we know if those were legitimate City purchases?

**Admin. Anderson** – Yes, and I can almost go down the list and tell you what they were.

**Councilman Rahm** – What's the golf one for?

**Admin. Anderson** – That was for Wanda's retirement.

**Councilman Rahm** – Ok, those are things that help. Going back to 2007, it looks like there are similar types of charges.

**Admin. Anderson** – And that is one question I did have for Rachel on whether or not business lunches were common practices and she did say yes.

**Tom Aguilar-Downing, 1550 Wild Ridge Court North** – I'm going through the PDF here and see that some of Pauline's requests were back in March and they are just being fulfilled now?

**Mayor Geraghty** – No they have been fulfilled as they came in.

**Executive Analyst Helm** – It says on the bottom of the page as to when she would pick it up and pay for it.

**Mayor Geraghty** – As far as where the City goes, I think we're pretty much done with it.

**Councilman Rahm** – Has anyone seen any inappropriate charges that aren't related to City business? I have not.

**Councilman Sumner** – No. I trust the oversight of the Administrator, Chief of Police, Department Heads and staff.

**Councilman Gallagher** – I think we should take notice though that we changed our policies so this shouldn't come up again.

**Mayor Geraghty** – The perception that's out there is that we did something wrong when we didn't.

**Councilman Sumner** – And I don't think it's been corrected for the general public as of yet.

**Councilman Rahm** – That's part of this investigation.

**Mayor Geraghty** – Maybe we can have a summary of the report and enter it into the minutes at one of our meetings?

### **3. DISCUSSION REGARDING INTERNAL CONTROLS POLICY**

**Admin. Anderson** – Councilman Rahm had requested that this be placed on there.

**Councilman Rahm** – I have some general things from looking at all of the expenditures over the last couple years. Number one, I wanted to talk about how we purchase office supplies. It looks like we have a lot of different employees buying office supplies so is there a way we can designate it to one person who then buys items quarterly or whenever so we know they are legitimate purchases.

**Councilman Gallagher** – I've thought about that as well but office supplies are taken out of each department so I think it would be tough internally to code them.

**Mayor Geraghty** – I think they can code them differently as the bills come in.

**Councilman Rahm** – It's just a thought so that not everyone is running out to buy office supplies.

**Councilman Gallagher** – Honestly, we shouldn't be paying Brian to go to Office Max.

**Admin. Anderson** – A lot of times it's cheaper to run to Office Max for a couple items if we have a certain project or open house coming up then purchasing them through Fair Office World. We're going out for bid right now on office supplies but we just don't buy in the quantities.

**Corb Hopkins, 1790 1<sup>st</sup> Avenue** – Mr. Hopkins was present to provide some insight on how the businesses he worked for, 3M and Imation, handled office supplies. At 3M, the secretary would keep an inventory of all of the

office supplies in a closet and employees would go through her for them. At Imation, they had an office supply company in their basement, which he found to be inefficient.

**Mayor Geraghty** – I would recommend staff and department heads meet on this and determine what the best method is.

**Councilman Rahm** – Do we have any pre-approval thresholds or are employees able to charge whatever?

**Admin. Anderson** – It's in the financial policy. The credit charge limit is \$10,000 for me and \$3,500 for Bruce and Curt.

**Councilman Rahm** – What about when you take trips for training seminars, do you get approval in advance?

**Admin. Anderson** – Those items are in the budget so I will provide approval for that. I encourage more of that.

**Mayor Geraghty** – Do we even issue purchase orders?

**Executive Analyst Helm** – There's a pink slip that's the purchase order and signed off by the department head and Brian.

**Superintendent Hanson** – I sign off on all of the bills for public works.

**Admin. Anderson** – And I sign off on all of their bills.

**Superintendent Hanson** – I have a question on budget items, I do spend more than \$2,500 on budget items, for instant salt.

**Councilman Gallagher** – You're not using a credit card for that so I don't think that's a problem. At my work, if it's a non-budgeted item, I can do up to a certain amount but if it's a budget item then I can go up to another amount.

**Mayor Geraghty** – In regards to the credit cards, I know at my work we have to do a card log each month which itemizes the purchases and it's signed off by several people. I can work with you at another time on something like that.

**Councilman Rahm** – Going back to the fuel charges, the Chief said that a lot of the police cars are filled at the Refinery and I assume they send a bill.

**Chief Montgomery** – That's correct.

**Councilman Rahm** – I saw on one of the bills that there was a charge to Super America for gas.

**Chief Montgomery** – That was me. I was running up to the County one time in the investigator's car and needed gas and instead of going through all of the hassle at the Refinery because I didn't have a uniform on, I went to SA.

**Councilman Rahm** – Ok. How do we create a control to ensure that the Chief is not filling up his own car?

**Chief Montgomery** – I could use the SA card. I think it's almost impossible to create that; you'll just have to have trust.

**Superintendent Hanson** – I receive the bill for SA and it itemizes which vehicle is being filled up.

Jim Eichten of Malloy, Montague, Karnowski, Radosevich, and Co. was present to discuss the history of the

City's financial status. Mr. Eichten has been the City's auditor since 1989. Since that time, the recommendations from the Manager's Report have been implemented or resolved within the next fiscal year. Mr. Eichten also spoke about some comments that were in NEWCO's report on financial oversight in the City. There was one comment regarding the lack of financial reports. Since 2009, Mr. Eichten and Admin. Anderson have worked together to implement a new computer system that would allow the City to create financial reports and policies. The new computer system, which was installed in late 2011, allows the City to create monthly financial reports and have the audit completed earlier. Additionally, Mr. Eichten discussed the recommendation in the audit report regarding the segregation of duties. That particular recommendation has been in the City's reports since 1989 and states that it is a common recommendation for cities the size of Newport. Mr. Eichten stated that the City needs to consider what controls are in place to compensate for the lack of segregation of duties. It comes down to the City's internal control policies. The City Council needs to ensure that those are being followed. We look at that as part of our audit and make recommendations to staff on how to improve those. Finally, Mr. Eichten noted that as part of the audit, they do not look at every transaction, which includes credit card purchases. Instead, a sample of transactions are tested. Since 2007, the sample has not included a credit card transaction. If the auditor were to get any indication that there was misuse of credit card purchases, they would have reviewed them and will be reviewing them for the 2012 audit.

**Kevin Haley, 3025 Bailey Road** – I just wanted to say that these guys are doing an awesome job and they're feeling heat for things they shouldn't be and it needs to be relieved. I don't think any of you feel that anybody on staff is doing anything wrong. Be it politically generated or however it all started, there is an incredible staff here and they need to know that. When employees start feeling heat like this, they start leaving and we don't need that.

#### **4. DISCUSSION REGARDING THE 2013 BUDGET**

Admin. Anderson presented on this item as outlined in the November 1, 2012 City Council Workshop Packet. At the August 16<sup>th</sup> Budget Workshop meeting the Council requested that taxes remain flat. As such, the budget has been adjusted to reflect a no tax increase to the median home price in 2013.

#### **5. ADJOURNMENT**

Signed: \_\_\_\_\_

Tim Geraghty, Mayor

Respectfully Submitted,

Renee Helm  
Executive Analyst