CITY OF BURTON

BURTON CITY COUNCIL MEETING

MARCH 6, 2018

MINUTES

Council Chambers	Special Meeting	5:30 PM

4303 S. CENTER ROAD
BURTON, MI 48519

This meeting was opened by President Steven Heffner at 5:30 PM.

A. ROLL CALL

Attendee Name	Title	Status	Arrived
Tom Martinbianco	Councilman	Present	
Duane Haskins	Vice President	Present	
Dennis O'Keefe	Councilman	Present	
Steven Heffner	President	Present	
Danny Wells	Councilman	Present	
Vaughn Smith	Councilman	Present	
Christina Conley	Councilwoman	Present	

B. STAFF PRESENT

Amanda Doyle. Attorney
Paula Zelenko, Mayor
Rik Hayman, Chief of Staff
Bette Bigsby, Acting Clerk
Robert Slattery, DPW Director
Charles Abbey, Deputy DPW Director
Karen Moffitt, Controller
Lt. Mike Odette
Lt. Brian Warden

C. PURPOSE OF MEETING

The purpose of the meeting is for presentation, discussion and possible action regarding the draft Specialized Internal Control Review performed by Plante Moran.

D. ADMINISTRATIVE REPORT/ PRESENTATION

Special Meeting 3/6/18

Mr. Heffner stated that the purpose of the meeting tonight is a presentation, discussion and possible action regarding the draft specialized internal control review performed by Plante & Moran. Hi inquired if Mayor had anything?

Mayor stated that first she wanted to start by thanking Eric Conforti and Michelle McHale from Plante & Moran for being here tonight.

Admin. Report - Get rest of report from Mayor.

Mr. Heffner stated he would like Plante & Moran to come up and start the presentation.

Mr. Wells stated to Mr. Heffner, point of order. You guys have had this since January 19th. He asked why haven't I seen a copy of this.

Mr. Heffner stated that he should have checked his email.

Mr. Wells stated he did not have it. He inquired what prompted this investigation.

Mr. Heffner stated that it started a long time ago. We had concerns that we wanted to look into.

Mr. Wells stated, like three of four years ago - swap meets out at the DPW - people working on cars.

Mr. Heffner stated that we will get into that in Council Discussion shortly, and told Plante & Moran to go ahead and start their presentation.

Ms. McHale thanked Mr. Heffner and inquired if she may just correct the language. This is a specialized internal control review, this is not an investigation. The focus was on three areas: Internal controls, to identify gaps in the control environment and to identify anomalies. The focus was on DPW, motor pool and credit cards. We have prepared a power point and Eric will go through the details. Eric Conforti is our Senior Manager in our group and he conducted the field work.

Mr. Conforti stated that the purpose of this presentation is not to supersede the report. The report is the draft. Why were we hired? We were hired to help the City and give recommendations to enhance and control the environment. Scope of our engagement: This is a working product open for revisions or adjustments. The scope was for fiscal years 2014, 2015 and 2016 with regards to the data. With regards to processes, strictly an internal control review. We were focused on expense reports and credit cards as a whole, as well as the DPW with a focus on motor pool, but looking at DPW as a whole. The primary work we do in these is interviews. We interviewed 10-15 people - Director, department heads and billing clerks, to understand how things work. We go through in detail and find out what people do. We set data testing - list of all vendors and employees. Specific information we didn't get: employees SS#'s and bank routing information. We can do tests that compare vendors to employees and bank account information. We could not do those analytics. We did do analytics with the address information.

Mr. Heffner inquired to the administration - why did they not get this information?

Mayor stated it was because on legal advice we felt that personal identification numbers, such as bank account numbers, routing numbers, SS#s - it was better to protect the privacy and the security of our employees and vendors.

Mr. Heffner referred to Section 6.3 of the City Charter, (7), where it states, "keep informed and report to the Council concerning the work of several administrative officers and departments of the city, and, to that end, he may secure from the administrative officers and department heads such information and periodic or special reports as he or the Council may deem necessary." So, what I'm trying to say is when we hired Plante & Moran, they are an arm of us. They should've been given information to do their job per Charter.

Mayor stated that we complied with the Charter.

Mr. Heffner inquired, “Madam Attorney, your 2 cents worth?”

Attorney Doyle stated that it was her understanding this was initially with SS#s and bank account #s. She spoke with Mr. Smith about it and we all had the same concern. But my understanding was when we sat down and met with Pam, we had a different understanding that some of that would be provided. I spoke with Mr. Smith on the phone during that conversation, and we were assured by Pam that this is what you do and you would provide us with utmost security, that was my understanding and that we were to move forward in that regard. That was my recollection then.

Mr. Conforti stated that from my recollection too, there was also hesitation in providing address information, and I think that’s what got resolved at that meeting that we would be provided with address information, but the City was still making determination whether or not to provide us with banking and SS#s. So there was some resolution at that meeting because initially addresses were part of what wasn’t going to be provided to us, or at least there was a conversation about it and that was resolved at the meeting.

Attorney Doyle stated, Okay, I guess I left that meeting believing that everything had been resolved. Okay, I guess I was mistaken in that regard. Now you are reading the Charter correctly, it indicates that the Mayor and her staff are to provide you with what you deem necessary. And if Mayor believes that she did so and her staff did so, then she believes she complied. I don’t know what else I can provide.

Mr. Heffner stated he just knew it says up there they didn’t receive everything they requested.

Mayor asked to interject. The meeting that I was in, because I don’t recall being at that meeting that you are talking about, but the meeting I was in, we also went as far to say is when we give you the address information, if you trigger and you see something there, then individually we would give you those numbers but we didn’t want to give a whole master list of everybody’s numbers, we were concerned about security breaches.

Mr. Heffner believed though they asked for that master list of all so they could do their analytics and do their job that we hired them to do and were unable to do their job because you guys wouldn’t give them what they needed to do their job.

Mayor stated that they did their job, and we would’ve given them the extra information, the SS# and banking information, had they triggered something with the information that they did have.

Mr. Heffner stated that he was just curious on why they would include this in the report if you gave them everything that they asked for.

Mayor stated she didn’t say that. I did not say that.

Ms. McHale stated that the request is a typical request we do make to our clients when we perform this type of work. So to have the numbers is as described in the slide is much more powerful in testing than having addresses which could be a PO Box or very generic. However, with that being said, we can still run the analytics if we are provided that data given that this is a draft report. So, if we are provided that data we are happy to run the analytics.

Mr. Heffner inquired if they would be provided that information?

Mayor stated that she was not sure that she could give all of the information for the sake of security breaches. If they want to pull specific employees, specific vendors, I would be happy to give them the information on those specific ones.

Mr. Heffner argued that's not what the Charter says, Mayor. The Charter says anything that counsel deems necessary to do their job.

Mayor stated that Council isn't performing this job, number one. Number two, we do have some concerns regarding this and some are justified and we really don't want to bring them up in a public meeting.

Mr. Heffner asked if you could see their concerns. That they were given incomplete information to do a job.

Mayor stated that she would let the City Attorney weigh in a little more on that. I would prefer to have a legal opinion to get them a master list of everybody's SS# and everybody's bank numbers, not just employees and council people, but our vendors as well.

Mr. Haskins asked if this is unique. Are we the only municipality that ever was asked to give that information?

Ms. McHale stated that you are not unique. We have requested that information almost every time we do this type of engagement. It is unique that we have not been provided it.

Mr. Heffner stated that to him, that's a red flag.

Mayor stated that she hoped it wouldn't have come to this, but we do have an example of why and it's because during our regular audit in correspondence that we received through our company that does our regular auditing, we received information on Dow Corning employees through a mistake. So, it was financial information. So that's why…..

Ms. McHale stated to the Mayor that she had addressed that in an email to her, and of course, that is a serious concern so we asked for the email that was referenced by the Mayor and we have not received it so we have no record of such an email exchange being made regarding this other client so I'm not sure of the information she is referring to.

Mayor stated that she did not want to email it to her, she wanted to hand it to her tonight.

Ms. McHale asked Mr. Heffner if he would you like them to continue.

Mr. Heffner stated to go ahead and start.

Mr. Conforti continued on with the slide show. Next - looking at credit card and expense reports. There wasn't much expense report activity. Asset verification at DPW. Went through payment registers and picked assets from there. Went to the yard and facility and found assets. Made a draft report. Going through it for changes or modifications. Not an investigation.

<u>Key findings, internal controls recommendations:</u> Fuel activity, asset verification. Inventory/asset storage at DPW - Historically, assets were not secured internally from an

employee standpoint. (Tools, power tools, I-pad). There was an I-Pad missing, no way to know where it's at. Need a secure storage section. Check-in/out items. Need a paper trail.

Capital Assets: went through listing all capital assets. Real issue is with the disposal process. Disposals should be immediate and should be reported to the accounting department. He further spoke about purchasing within the DPW department - why was a vendor chosen. Reduce risks with internal controls - periodic review of vendors. Cash receipting at DPW - no cameras in place. Historically, new software - Treasurer can go into system to see what's happening. Provide full details of daily totals are recommended. DPW Billing: Work orders and salt purchases. Fuel: No review of fuel activity - no cameras. Good data there, just not being reviewed. Policies & Procedures - job duties at DPW. Ex. Salt - lay out who does what. Atherton schools, tick marks, problematic system. P.O. System: Some not embracing new procedures. Should be followed and implemented by everyone. Data Analytics 2015 and 2016 - We did note some anomalies and there were four employees that averaged over 265 gallons of gas per month. Could be reasonable explanations. Also some odometer discrepancies. Need a paper trail. DPW Asset Verification: couldn't find a power drill - controls were not in place back in 14/15/16. Need a better tracking system. Employee Vendor Matches: Only two vendors paid. Research invoices and make sure appropriate. Capitalization of Assets: Least weight of concern of all findings. More important is the fuel activity, internal controls and asset disposals. Credit card purchases: Need all receipts. Process needs to be followed. Summary Re-cap: Internal control environment - some assets are missing - no paper trail to look at. Fuel activity anomalies research further.

Mr. Heffner suggested a 10 minute recess. After the break, Mr. Heffner asked Michelle if she received the email from Mayor. She stated yes, but nothing referencing another client. The attachment references the City of Burton. Second page no client or company attached. There were names and contribution amounts, but pretty nominal overall. No social security numbers or banking information.

Mayor stated the bottom line is, it is information from a different client that came here. It's very easy to Google those employees' names and one of those was head of Risk Management at Dow Corning.

Mr. Heffner stated that he didn't see any information here that could be used against anybody.

Mayor stated that it is the financial information, it's their contributions, if you look at the headings.

Mr. Heffner inquired if there were some way that those could be used deviously.

Mayor stated that wasn't the point. That's private information that you're trusting someone with.

Ms. McHale stated that first I do need to confirm that the second page spreadsheet is in fact part of the City of Burton open items, spreadsheet as shown on page one. I would opine that, this is not troubling to me. It doesn't have any company's name on it and even if it did, what would someone do with this information.

Mayor inquired what would someone do with social security numbers - the items would be breached - that's my concern.

Ms. McHale stated that would be a Plante & Moran problem if that were to happen, and I can say with confidence that that has not happened.

Mayor stated it was her duty and responsibility and she's charged with protecting that private information of employees as well, so she made a call. If you want me to forward that email to you, I am happy to do that.

Mr. Heffner stated that he just hoped we can get this cleared up and get the rest of the information to Plante & Moran so they can do the job we hired them to do. I know you requested an attorney's opinion, I've asked Amanda to give you that opinion tomorrow in writing and she'll forward a copy of that to the Clerk, if you can do it by tomorrow.

Ms. McHale asked that if she may add, we have the ability to find everyone's social security number. We could find each and every persons social security number and enter into a spread sheet and have the data we need, but I don't think the City of Burton wants to pay for us to look up each and every employee and identify their social security numbers.

Mayor stated she certainly understand that, but if this isn't an investigation why do we need to go to that level of the whole master list rather than they identify the couple of areas here like what they did in this report, say okay, we'd like to dig deeper on this section here. I'm happy to supply that and allow that access but I am very hesitant of giving all social security numbers and bank information of every employee and vendor, so that's where I'm at.

Mr. Conforti stated that to that question, I understand where you're coming from, but it's almost inverse to that. If we're doing an investigation is when we would want to dive deep into individual people and go further than that, but in an internal control review is when we do the analytics and that's scratching the surface at a high level but it's scratching the whole surface with an analytical test and that is why for this we do want the master file to do that analytic versus I'm very interested in this person because I think that they did something wrong and so it gives me their information.

Mayor stated she understood where you're coming from, I do.

Mr. Heffner inquired if that was a yes, you're gonna supply that information?

Mayor stated she will wait for the attorney's opinion. She further stated that Experian and credit card companies out there, get breached all the time.

Mr. Heffner stated that the City of Burton could get breached.

Mayor stated absolutely, we could.

Mr. Heffner stated that would be on us.

Mr. Heffner stated that Plante & Moran would be assuming all responsibility.

Mayor stated that no, they're not, not according to their contract, they are not.

Mr. Heffner inquired if Plante & Moran ever had other municipalities that they did these sort of things for give them as much resistance as they've gotten from us?

Ms. McHale stated she has been doing this work for over more than 20 years and I she can say no.

Mr. Haskins stated that he looked over this report and didn't think it was terrible. There were some housekeeping issues that need to be addressed, but that now he was concerned because of the resistance given on certain simple things. He inquired if there was something underlying that's in there that could be found that we don't want to be found, or if this was legitimately a security breach issue. He further stated he didn't think there was anything quite drastic besides housekeeping policies, but nothing major.

Mayor stated that she was just concerned about protecting and charged with protecting privacy. Especially, those types of information about employees.

Ms. McHale stated that most would appreciate the data analytics that would be provided through that additional testing. Again, we are only here to help that would identify any anomalies that may surface so that is the reason for the request.

Mr. Heffner stated this should serve as a tool for the administration to pack some leaks, not a gothcha moment.

Mayor stated she appreciated that, but there are also some concerns in here that aren't accurate.

Mr. Heffner stated that if they were provided all of the information they asked for, it may be a little more accurate.

Mayor stated it had nothing to do with that information. She further stated that for instance, the fuel anomalies. Most of them are police officers. I would like to defer to Lt. Warden if he would like to jump in on this, but there were no inquiries to any police supervision regarding these anomalies with gas, they do dailies, everything is on there. So, when you're talking about 13 gallons being pumped in at 3:03 p.m. and then 13-14 gallons pumped in at 3:30 p.m. it's because it's shift change and you've got a line of cars there and you have one person with his identification into that pump pumping gas because they have to get these cars on the road - it's reflected on their daily sheets since 1991.

Mr. Haskins asked what did she mean it's not accurate. It's accurate to the fact why it occurred. I understand completely how it occurred, but it's accurate as to how it's on here and I think what they are alluding to in the report is somebody also could've been in this line running their personal vehicle through and fill it up.

Mayor stated that wasn't true. But to say that there is no cameras over the gas pumps, there are, over at the Police Department. There are cameras there and they do daily logs as well. We wanted an opportunity to be able to talk with them about that because I don't know that Mr. Conforti actually spoke with anybody from the Police Department, or if he even knew that these employees were policemen.

Ms. McHale stated that their focus was the DPW.

Mayor stated that the majority of the individuals in the fuel report are police officers.

Mr. Conforti stated that they asked for fuel activity and that's what they were given.

Mr. Abbey stated that's the issue. Let's stick to those sections because there are things we really need to address. I don't know what happened in the past. I want to know what's transpired from the day I started so I know we are starting with a clean slate. I welcome this, okay, but I do have issues with the way these things are done in that you reference a couple of missing items, and I don't dispute that one bit, and you did clear up that a lot of items were found. Most of these things are procedural things and what I take exception to that there are no policies. There are clearly policies and there always has been policies in this City. But, the salt - because you referenced two years, but in my findings there was only one year.

Mr. Conforti stated they didn't reference two years, they just referenced the salt process.

Mr. Abbey stated that they're pretty accurate when you say they used the sheet on the door, but it wasn't one individual that had access to that, it could've been a mechanic that was there. When Atherton came in, he puts a check on there. It could've been missed - we've changed that with logs. There are a lot of things here that can be beneficial. I really do think it will help the City. Assets were disposed of and Ms. Moffitt can attest to that. Some of those items should've been gone a long time ago. That's where internal controls could've been better - weed wacker over 20 years old, did they use a disposal form? We do have those, that's what I take exception to. Whether or not they got used I don't know, but I can tell you now it happens. Logs with tool check-outs with numbers on them engraved - we have internal controls in place. That building is secure. There are things we could do better. Take picture and put it on disposal form. A lot of these procedures were already in place when I got here in September. The gas looked bad on surface, but when broken down they are explainable. Cameras out at pumps - council should give money to get these cameras. What you call vendors, you constitute as a vendor? Small city election workers, for example. I'm not sure on how that process works - sharing headdresses with…

Mr. Haskins stated that process would work if the proper information was given to them. They had to do a scan on addresses to find that out, because proper information wasn't given to them by the City.

Mr. Conforti stated that he just kind of wanted to do a recap on what I'm hearing from you is what we found is right, but it's concerning to you because it's not how things are right now and I understand that and we put in the report that. You are not as concerned as the past as your job is to make things right going forward, but our task was to look in to the past. All of those issues were like that in the past. We are in agreement with changes going forward.

Mr. Hayman inquired, you are looking for systematic issues and look out for anomalies, that it's our job to figure out what to do. To find out why they exist and to change the system.

Ms. McHale stated yes, to compare anomalies. If explainable, okay.

Mayor stated that's why she brought up police - written record of vehicle, fuel, etc., which there was backup information for. How do we address that to get all information (DPW/Police camera reports) in one spot?

Mr. Conforti stated to use police data, cameras, and all other pumps data. Need to be reviewed by someone.

Ms. McHale stated that maybe the cameras can replace the written documentation because you are able to monitor the cameras.

Mr. Abbey stated that for years, the maintenance person took care of pumps. Went to a punch key, lost that maintenance man. We use RW Mercer for the stations. Could those be better? Clearly. Change the reader, get cameras - if council willing to pay - it would be great.

Mr. Conforti stated that's why it's called the internal control recommendation.

Mr. Wells stated he had to leave - but had a few thoughts, the timing of this event - about a week early, it's pretty remarkable, Ides of March - time between the ferns is a bit of a power play. These issues have come up for years and fallen on deaf ears. Whatever is in this report, is all of our fault, not just the administrations'. We haven't stood up strong enough over the years to make those changes.

Mr. Heffner stated he didn't find the fault page in there.

Mr. Wells stated there's a fault page, and it's costing us hundreds of thousands of dollars. Plante & Moran was involved in one of those instances where he accidentally walked in and caught Taylor and Morgan in here doing an audit because our people couldn't get an audit. Mr. Smith knew about it, Mr. Martinbianco knew about it, but the rest of us didn't know about it and that was a fiasco. That just goes back to my point - you can pay people to tell you what you want to hear and they'll tell you what you want to hear. That's no reflection on Plante & Moran, but as a result of that, we let them go for a while, so think about that. I'm glad you're back, I don't know why you're auditing your own work, that doesn't make sense to me.

Ms. McHale stated they are not auditing their own work - we are merely fact finding. We're taking data that's in the City system to do the data analytics, that's all we're doing and then we interview forks to talk about the internal controls and processes, completely separate from a financial statement audit, which has a much different work plan.

Mr. Wells stated that it was the first he delved into it tonight. I appreciate what you guys do. Look forward to working with you in the future. Yes, we have things to take care of. I'm glad it's coming out and I'm glad I'm not the only one raising my hand now. Lets' work together. What will happen if there starts to be a division here between council and the administration, all of these projects coming forward, those people are going to look at the way this council and administration works together and go somewhere else. We need to communicate and move this City forward. We've got some great opportunities, you said that last night, Mr. President.

Mr. Heffner stated he was glad he agreed with us.

Mr. Wells stated that you're going to spend $25,000.00 on it, because it's been out there for a while. We just didn't address it.

Mr. Heffner stated to Mr. Wells that before you go, I know you just said basically that this report right now is more political. If you go back three years, you were actually a candidate for Mayor at that time.

Mr. Wells stated that was before I was a candidate. Actually, when Smiley was here I brought it up - they were auctioning cars off back there.

Mr. Heffner stated the report is from professionals - it's not coming from one of us who twisted their arms to write this report. They worked with the administration.

Mr. Wells stated it could've been done before when we knew there were issues.

Mr. Heffner stated that he wished he had brought this up when he was on council to do this before, but he didn't.

Mr. Wells stated that everything he said fell on deaf ears. You didn't pay any more attention to me than you're paying to Mr. Haskins right now, than you pay to Mr. O'Keefe down there.

Mr. Haskins stated this was brought up in the past with Mr. Wells and himself, but guessed the point being is it's getting done now. Once we address a couple of these housekeeping issues, basically accountability is the way I look at it. You have a DPW Director back there that's been there way longer than you Mr. Abbey, and Mr. Abbey you sat here and you're answering all of these questions. I understand the gas issue. Like I said that was never concerning to me at all I just know that at the County if you go to put in mileage it will say mileage is out of range and it will deactivate your key. I have no idea what the safe factor is as far as taking your own personal car with a key card, but never once in my mind did I think we have people stealing gas from the city. And I would think that someone would invest and take the time to look at the gas reports and compare them from year to year. I don't think it's a bad idea to continue on in other places and get more advice on how to keep things moving in the right direction to keep housekeeping clean and making sure that the checks and balances are working in other offices as well.

Mr. Wells stated that's the key right there. We should've been following it all along, we should've been making improvements all along, we've kind of gone with the flow and let things get to a point where it's come to a head tonight. I hope it's come to a head tonight so we can move forward from here that's what we need to do. That's what I want to do. Continue to work with the administration, continue to work with City Council, all of us get on the same page. Transparency is really easy, if we really want to practice it, it's really easy.

Mr. Heffner stated that's why we're here tonight.

Mr. Wells stated that he appreciated that and would like to be excused.

Mr. Abbey asked for the opportunity to at least respond to those one by one and then at least, so you can look at them to not only see what we've done, like you said, your review was done over a three year period and I'm okay with that. I want to make sure that your comfortable and everybody's on the same page. But there are things in there that I think we missed in this document, and after tonight, I do understand how you got there a little bit, you kind of plugged that thing in and said look these are the anomalies, these are things that jump out some time and that's what you start looking for. But, from our perspective, I guess a lot of these are explainable when you go out there and see exactly what happened. Some of them were absolutely great recommendations in my opinion and I think they will make us all better. I have no issues with that and we are going to implement those. We're gonna write policies based on that and there are people to be held accountable. But the one you reference up there you got it wrong. You said something about the Deputy DPW Director and really it's the department head that ultimately has the responsibility. That's just a clarification, but more importantly, not one person has that ability to spend $10,000. I think that, there are 2-3 people that will touch that document before that ever gets approved and goes to the Controller to be paid, and possibly more than that. A lot of times after they leave there they have to get approved by the Mayor. I'm just saying procedurally, there are things in there that I think we missed and we would like an opportunity at least to show you that so you can see that maybe that isn't quite right.

Mr. Conforti stated, just to reiterate to, if we have something in here because of what was told to us when interviewing employees, and so if there's something that is procedurally different we're happy to update it, that's the purpose of a draft report, is that there's something that maybe two employees told us and they were wrong because they're not as involved in that process as someone else, then we can correct it.

Mr. Abbey stated that's what he was talking about. Because some of the information you were given and I know after reading this document how you got that information and why they would give it to you even. You have people that were moved up into jobs that may not have known those processes and their predecessors really did not train them to be day one ready to execute that job. But policies in writing are in place. Now whether or not they always followed them, and like you say we don't have a policy for this, I can show you the policies. I wrote a lot of them, and I'm looking at them today. I brought them and so I would like to at least share them with you so you can see the work policies and procedures in place for most of these instances that some anomalies were caused by and things of that nature.

Mr. Conforti stated just for that too. Our initial request, our very first request, asked for all policies and procedures relevant to the areas that we would be looking and if we say that no policy exists, because the city never gave it to us. We did ask for those policies. Certain policies we have, the credit card policy, the travel policy. We were given those. We were not given policies in regards to the items and processes that you and I had walked through which is why we referenced that they don't exist.

Mayor stated the employee that you talked to may not have had a copy of that or may not be serving on the committee that has been reviewing those policies. We reviewed the travel policy and the check policy for disbursements in 2013 and we are in process, that committee, is in process of rewriting those work rules and operation policies and putting them in a different format that expands what the purpose is, what the procedure is and what happens if you don't follow this policy. So, we're working on that. It's very time consuming. And, as you found out, the staffing level sometimes doesn't, and we're always trying to react to do things, to take care of the roads and all of that too. That's what I meant from my correspondence to you is I didn't think that the follow-up went far enough because there were some other information I think you needed to be aware of.

Mr. Conforti stated, to be fair, the initial request went to the finance director, council president and __________? So we presumed that from there it went to the appropriate people who would know what was going on.

Mayor stated that the policy should've been in the Controller's office.

Mr. Heffner stated that Mr. O'Keefe had the floor.

Mr. O'Keefe stated, that he had a couple of questions and a couple of comments. Prior to that, I think I need to give you a little commentary so you understand where I'm coming from. My background is giving me a real difficult time with this. I retired from a bank. You know how bank policies and procedures how important they are. I guess the first question I have, and maybe a statement with that, when this all came about I kinda thought, ok, we had a problem with salt, a piece of paper fell on the floor I can understand that. But again, then all of a sudden all of the corrective actions came back which kind of did take me back, because I just assumed, and that's an assumption I shouldn't have made, that we were doing the right things with regards to policies and procedures, which we're not. Saying that, we've only looked at three areas of the city. In your professional opinion, are there other areas that we should go through this process with?

Mr. Conforti stated, that within our analysis, we did go through some of the disbursement procedures because of the expense reports and credit cards, and if you noticed, there's very limited recommendations on those processes in here. And we have looked at them. There were very few recommendations in the accounting office as far as disbursements were concerned and your payable process so we didn't have many issues with that.

Mr. O'Keefe stated, so let me understand what you're saying here. You're saying that the rest of the city you feel pretty comfortable with regards to the process that you went through. That's what I'm looking for. Where would you look on your next review?

Ms. McHale stated, Internal Control Assessment. What I would say is I think given' the various recommendations I think we have to give the administration some time to make those changes, I mean, you've had a lot of change in personnel and you know there's only so many hours in a day. So I think we focus on these changes, I think we revisit it in maybe 6-9 months and say do a check-up to see how the recommendations are working and see if it makes sense to do a different area.

Mr. O'Keefe inquired, Okay, and the process you are going through, this six month checkup, is this kind of in your scenario that you'll do that and get back with us.

Ms. McHale stated that Council would make a determination as to the time frame that you would want a checkup. As to how much time would the administration need to implement the proper recommendations and strengthen the control environment. So I don't know what that is, I mean, you have your day job too right?

Mr. Hayman stated he wanted to speak to one thing in terms of that because that would be great. We would love to have that happen. One of the concerns I heard from you are the policies and procedures. The Mayor told you to a certain extent where we are on that. That's one that you came in at an odd time because we were starting the process of revamping, and still are, policies and procedures. I think we probably need the full nine months, maybe more, on the policy and procedure. Is there interim stuff that we could keep Plante & Moran abreast of, I don't know how that would look in form of an engagement letter or contract, I know we have several different types of contracts with you, but yeah, I mean that's about the best thing that could happen.

Mr. O'Keefe stated that he disagreed with that, he thought six months. I really don't think we'll use the DPW as an example, that they can monitor themselves, it just doesn't feel right to me. It has nothing to do with the DPW. I'll say the same thing about the police department also. You should have somebody at least from another area of the City doing that. It's pretty overwhelming and it's a lot of work and I recognize that and I'm just concerned with the vacancies that we have in the City now and the small workforce how this is going to be implemented. I hope we can do it this was very eye opening to me and I'd like to thank you guys for the work that you did.

Ms. McHale thanked Mr. O'Keefe. I would like to add that have we more or less ranked the recommendations with a color coding system so that red is we feel extremely important to implement, yellow definitely should be worth additional consideration, and then green is less severity if you will.

Mr. O'Keefe stated that one last recommendation he would make, and I go back to what Mr. Abbey was talking about, and I think probably the police department should have the same opportunity that somebody responds to you in writing on these things I think they are all explainable. I agree with Mr. Haskins when I first read them, it hit wrong, again in talking to people how in DPW, how the first guy gets there he's gassing up a whole bunch of trucks and same with police cars and things like that, you know, again they just think they are doing the right thing by trying to get the operation under way, but again, there are policies and procedures here and they have to understand they do their car or truck and everybody has to plug in their own numbers and go from there but I would hope before we make this final that these areas of the City have ample time to make response to some of the things that were said in here.

Ms. McHale stated that sometimes what we do with clients is we add an additional column on attachment 1 say Administration's response, or some sort of commentary that is highlighted so that you folks could say that changes have been made since these occurrences have happened, and this is what we've done.

Mr. Haskins stated the next decision the Council, we're gonna have to make if we're gonna spend all the extra money for you guys to delve into the SS#'s and doing the checks and balances, or if the Mayor is going to save the tax payer's money and just give the information up, but obviously she said she's waiting for the attorney's opinion, so I guess we'll take that up in a different fashion at a different date. I do agree that I think we need to keep moving forward, whether it's six months or whatever, to keep going and seeing if there's other issues that need to be resolved or implemented, corrective actions, checks and balances, policies and procedures, whatever it may be. I know Mr. Abbey has stated numerous times that you guys asked the wrong employee but for a policy, and that's sort of hard for me to believe, because like you said you're taking the directive from the administrative office and going forth with whatever you're supposed to do. Once again, you guys were given the information from the City that was afforded to you to come up with your report so like I said, I don't think it's horrible. I don't know what the Council's next step is going to want to endeavor, like Mr. O'Keefe said, he alluded to six months, I have no issues with that either. When it comes to this report there was a couple of credit card things, but like I said, the recommendations coming forward. Now, when you guys did, like on the credit cards and trying to find it, and they said there was no receipts being able to be provided for the credit card charges. What was the recommendation on that particular incidence?

Mr. Conforti stated it's not necessarily that they said there's no receipts. The process explained to us is receipts are submitted with the credit cards and filed by month with the packet and all the receipts behind it. We went through two months of statements and there were some receipts that weren't attached that were on the statement. So that was the gap in the process. In reading the draft report the administration said we do have a receipt for that, which was provided to us, which is why we updated the report to say that. I did put some emphasis in the presentation that that particular area while it was a deficiency in the process that it wasn't attached initially, that's not where I would spend my time of concern because of all these other recommendations that are problematic, it's just that the process wasn't followed for that particular incident, because there was a missing receipt. At the end of the day was there a loss to the City because of it? No, but there was a gap in the process so we documented it and give a recommendation that someone ensures that that credit card statement has all of the receipts on the back of it because there wasn't in this situation.

Mr. Haskins stated I think what you stated just there, goes back to what Mr. O'Keefe alluded to that we don't have anybody checking the checkers because we did not research this charge further but we recommend the City does so, with you know the square down there with the explanation down there, so if there is a problem, let's take it from the top, say it was a Mayor's credit card expenditure

Mayor stated to go ahead and use the example in the report.

Mr. Haskins inquired who checks the highest person in the office, I mean who's supposed to go back and facilitate that, once again it goes back to who's checking the checker. When you made that recommendation in here that the city should look into a charge further, what exactly does that mean?

Mr. Conforti stated it's not the Mayor's job to ensure that all of the receipts are there, but all the employees are supposed to submit receipts. The Purchasing Agent is the individual whose responsibility is to make sure that all receipts are there and so I would say if you're looking for someone checking that checker, it would be someone that they don't have a direct report to. So, their direct report to, finance director, who then goes up to the Mayor. Maybe it's someone in DPW, or maybe it's someone outside in a different department, so they're not in the immediate chain.

Mr. Haskins stated it's going to ultimately fall on the Controller.

Mr. Conforti stated, right. Like you said, especially with your staffing capacity issues. There's only so much you are going to be able to do. It's just here's best practices, here's what we recommend you try to do and you take that and do what you can with it to the best of your ability for the City.

Ms. McHale stated she would add one more thing that Eric has heard me repeat time and time again…Random and periodic. Because again, there's only so many hours in a day. But if the perception is someone is checking they just don't know when and what they'll be checking. It's a very powerful tool for the City.

Mayor stated, if I could jump in there. When we do our annual audits, the person that comes in from Plante & Moran, and we have a pre-audit meeting and I am always asked privately, is there any particular area Mayor that you want us to look at? And I always say pay attention to internal controls, but check my stuff, because I want to make sure that I'm doing it right because there really isn't anybody else, other than the Controller, who reports directly to me that checks that. We've also since this has happened, we've also said that anyone who has a credit card, you need to make sure that you're copying and keeping your own receipts too, because that's what we ultimately fell back on and it had been submitted twice.

Mr. Smith stated that this is constructive criticism. We don't always like to hear what they say. But if we want to grow as a City, we need periodic reviews. We have to be very thorough with what we do with the dollar. If we don't set timelines, what do we do? We need a tickler - set a definitive date so it's not lost in the shuffle. I would like to see us pay for the information to be done, in its' entirety, so unless I hear a really good reason, Amanda, when I'm hearing 20 years of precedence, you better give me a really good reason why they've been wrong for 20 years.

Attorney Doyle stated, if I may, I don't think that they have. I think, as I stated before, the Mayor was concerned, I um, I was mistaken that day, however, I can say that I can find no law that Social Security Privacy Act included, that would prohibit the City from providing that information. If the Administration wants some complete absolution of all liability we know that's not going to happen. But if there is some material breach of this sensitive information on Plante & Moran's end, that's their issue, their insured for that particular instance if it happened. The City should always endeavor to protect its employees privacy at all times, absolutely, that's one of her jobs. However, I don't believe in this juncture providing the information that they requested to do a job that we had asked them to do would violate that endeavor.

Mr. Smith stated, so we should be able to ask for that information.

Attorney Doyle stated that since the time we met initially, I consulted with other municipalities. In providing a representative of the City essentially that the City has hired, Plante & Moran, sensitive information that it requires to complete a task that we employed it to do to provide us information to assist the City doesn't seem abnormal to me.

Mr. Smith inquired, so we can do that?

Attorney Doyle stated that there is nothing preventing you from doing that.

Mr. Smith inquired, so the Mayor would be then, since the Council has hired this organization to do this, the Mayor will provide the information per charter.

Attorney Doyle stated that, and he's alluding to that section of the Charter that says that the Administration will provide Council with information it needs to do its job. Now, I think President Heffner has a, he can make, I don't think it's much of a leap to say that Plante & Moran is an extension of the Council being hired by the Council.

Mr. Heffner stated, thank you. I need to open up to audience participation.

Mr. Smith stated, okay, sorry, we need to set a definitive date so we don't get this lost somewhere.

Ms. McHale stated, I would recommend, because your yearend is September 30th, correct?

Mr. Heffner stated, no. June 30th.

Ms. McHale stated, I'm sorry. We would do it then, August.

Mr. Conforti stated, probably end of audit, would make more sense from a standpoint of you're already going to have a whole other group of Plante & Moran asking questions and data and stuff like that.

Mayor stated to President Heffner, to the point about the social security numbers, banking information and that sort of thing. This is the first time that I have heard Attorney Doyle opine this way on that, or more complete. I'm in agreement with her. I have no issue providing them access for that information but, I'm going to request that the Council take a vote on that tonight, to be supportive, that you agree that we will work together and that we will provide that information.

Mr. Heffner stated, I think we took that vote when we decided to hire Plante & Moran.

Mayor stated, I don't think so, not to this specific. In addition, what I want to do on my part so that everyone's aware, both transparency - every employee will get a written notification that their personal information is being examined.

Ms. McHale stated that their personal information is not being examined. All we are doing is numbers testing to identify anomalies. You're going to cause a lot of concern.

Mayor stated, I guess I don't understand that, is the number going to match a name when you do this analytic?

Ms. McHale stated, right, but the number will match a name but they are not being examined we are trying to tie data to see if there are any anomalies within the data.

Mayor stated, okay so then maybe you can help me with the terminology to use, but I do believe because you are using their personal numbers for identification and to run, employees need to be aware of that.

Ms. McHale stated, we can pull that data from other sources. We're just trying to save tax payer dollars.

Mr. Heffner stated, whatever you put out after they made a request, we want you to honor their request, and if you put out letters that's your own business, that has nothing to do with this report in my opinion.

Mayor stated, so I guess I just want to protect their privacy, SS #'s and banking information, I just need to get some secure reason why they should not be notified.

Mr. Heffner stated, at this time, I'm going to open it up for audience participation.

Mr. O'Keefe inquired, is this a standard operating procedure that employees are notified?

Ms. McHale stated, no.

Mr. O'Keefe stated I think we need to be a little careful here because again, we can start a big firestorm. You're not investigating them or anything, you're using this for a trend thing.

Ms. McHale stated, right.

<u>Audience participation</u>

Steve Hatfield, 1446 Mallard Dr. First of all, I was part of the Council when we requested this study to be done on internal controls, but I really don't think you're going to find a lot. This City has more red flags in it than anything I've ever seen. We have an employee problem here. Now I'm seeing we're having a policy problem as well for these employees. We might be having employee problems because we have a policy problem. We don't have policies in place to tell employees how to do their job. What shocks me is the lack of information provided to the people doing the study to offset this stuff. Example, gas logs. I know what happened on a lot of that fuel stuff, that doesn't shock me at all. What shocks me is the lack of information provided to the people doing the study to offset this stuff. Salt - we're checking off salt purchases on a check tick on a piece of paper. I think the city is mismanaged, the city is run poorly. Maybe it's a personnel problem - we don't have the personnel to do it. Maybe we don't have the policies in place. It needs to be addressed If we don't have personnel to do it, then let's put together personnel task force that has council members on it and administration members on it, and figure out how many people do we need in the DPW, Mayor's office, Police Dept., Clerk's Office. The Mayor says, I don't have the people to do it, the council says you have more than enough people, we can't afford more people. I'm sure the truth lies somewhere in between for us, I sat up there and listened to both sides of it. So, let's stop accusing each other if you will, and let's put a task force together and get the answer. How many people do we need, and lets form a policy task force or committee. This is a legislative body. You should be controlling the policy, you should be reviewing the policy. Policies should be reviewed, I think the government standard is three years if I'm not mistaken. I heard comments that if council were to give us money we will put cameras up. I haven't seen any budget in my three years that said I would like this money for cameras because we don't have any. I didn't know we didn't have any I didn't go to the DPW every day. Apparently, we have them at the police. No one has ever asked for that stuff. We can't have reports like this. And we're having a legal discussion here about social security numbers and stuff. We all know that there's very secure ways to transfer data, and that once that data is transferred securely if they lose it, it's on them and they need that information to run numbers to look for anomalies. One last thing, a $1,000 for website pictures, really? That's a lot of money for website pictures and I was on that committee.

Mr. Haskins stated, but you were asked.

Mr. Hatfield stated, no I wasn't. Anyways, I would really like to see at least a personnel task force and a policy review task force immediately and, also, I think there's too many red flags we need to ask for a controls study done city wide. If there are things that need to be investigated like missing assets, we need to investigate it.

Mr. Haskins inquired to Mr. Hatfield, just because you are pretty knowledgeable about technology, aren't I-pads have some kind of locator on it?

Mr. Hatfield stated that yes, they do. There should be an account associated with it. You should be able to use the find my i-phone function on the i-pad and locate it.

Mr. Haskins stated, as long as it's on.

Mr. Hatfield stated as long as it's on. That could've happened quickly before the battery runs out or whatever.

Mr. Hatfield stated, thank you for the time. I appreciate it.

Mr. Heffner inquired if anyone else wished to address the council? I will close audience participation. Mr. Smith, do you have any more questions?

Mr. Smith inquired, when is the date they are going to come back? We keep talking around it but don't seem to get a date.

Mr. Heffner stated, they said six months, that would be September.

Mr. Smith stated, you guys gotta schedule it right into your time. So, I don't want to hit you up tonight but maybe let the Mayor and Council President know of some options within the next few days on what your availability is.

Ms. McHale stated, well our schedule changes because we get new engagements all the time. What I would say is if we could, is just say September/October is when Plante & Moran will be scheduling the audit. It has to be between in those two months. That way it gives everyone time to get schedules and let it happen. I don't think a definitive date in my opinion is necessary. We will go get it done in September and October.

Mr. Smith inquired, what do you need from us to initiate that process? Do you we have to provide some sort of direction to you?

Ms. McHale stated, if you're approving that Plante & Moran comes back in September and October, we will draft an engagement letter accordingly regarding those peramiters.

Mr. Smith inquired, so do we need to take a vote here then?

Ms. McHale stated, we can send you an engagement letter and you can vote on it at that time.

Mr. Smith responded, Okay.

Mayor stated that yes, that's what you need to do.

Mr. Conforti stated, to clear up confusion, I've heard this a couple of times - this will be the draft and that will be a final. How it typically works, this isn't a report card, that's what we all need to remember. This is just recommendations. So, ideally, this report, once we've heard everything all the questions, it becomes final. Now that doesn't mean final as if the recommendations may not have changed. What happens is there's a new engagement where we come back and look at did you implement recommendations from this final report and we issue you a new report that says here was your previous grid, here's how you responded to all of those and what's happening. If there are any new issues that surfaced, here's recommendations for those in a separate report.

Michelle stated, yes, I'm sorry if I misunderstood. Yeah, we will finalize this report long before six months.

Mr. Conforti stated, that's why a new engagement letter would be needed. Our scope is now assessing what you've done in response to this vs. our scope right now is what happened.

Mr. Smith stated, so, the next step would be, this process, then if Councilman O'Keeffe mentioned and former councilman Hatfield, they've both touched on other departments. So what happens? How do you determine which departments?

Ms. McHale stated, that's for you folks to determine what other department you would like us to look at. We can certainly consult with your auditor, Plante & Moran, and say are there things that you've seen that maybe you would recommend we look at a certain department. We're happy to do that.

Mr. Smith stated, okay, I'm just trying to see how this process works.

Ms. McHale stated, so we'll come back in September/October time frame. It will be a new engagement letter we'll send to you in the near future. Let's finalize this report first and that's meeting with the administration which will be very soon and then we can go from there for that next engagement.

Mr. Smith stated, thank you. We have a bad habit of talking about stuff and it gets lost. Thank you Mr. President.

Mr. Heffner inquired if there was anything else from council? I would just reiterate that the information that Plante & Moran's requested, you will give them anything they asked for.

Mayor stated that, yes, I will provide that. Now that the attorney has as opinion with us tonight, yes.

Mr. Heffner stated, okay. Thank you Mayor.

Mayor stated, you're welcome.

Mr. Heffner stated, I would like to address the letters that's been going back and forth between the Mayor and Michelle. I just read a couple of emails that I hadn't responded.

Mayor inquired, what do you mean?

Mr. Heffner responded, your email to Michelle that you hadn't heard from me.

Mayor stated, Michelle this morning? That it was up to you, it would be up to you to do it and I hadn't heard…

Mr. Heffner stated, the way I viewed them emails is them were private conversations between yourself and Michelle. Because they said Hi Michelle or Hi Paula - they never once said Hi Steve, so I didn't feel I should interject in them because no questions were asked of me. You guys were asking them back to each other.

Mayor stated, well, the whole agreement was there was certain folks that were going to be copied in on this email to jump in with an opinion anytime you had, that's why you were in there. And because I noted that I hadn't heard from you if this meeting was still going to continue until last night when you announced it at that.

Mr. Heffner stated, when myself and Councilman Smith went in and signed for this meeting, we were quite specific on what we expected tonight. So nothing really changed in the time we signed for the meeting and tonight.

Mayor stated, I don't understand where you're going there.

Mr. Heffner stated, you were questioning whether this meeting was going to be adjourned as soon as we opened it.

Mayor stated, no. What I did was, Michelle had asked about possibly doing a non-public meeting because she felt it would be more productive, I can't remember the language she used, I can pull it if you like.

Mr. Heffner stated, I think we pride ourselves here in the City of Burton as trying to be transparent to the residents.

Mayor stated, we were.

Mr. Heffner stated, and this is their house.

Mayor stated, I told her what would have to happen, she said she felt that, let me paraphrase here, she believed that it would allow for more healthy discussion to have a closed session. I researched that and it doesn't meet the criteria for the Open Meetings Act to that. And then she had asked if it was agreeable to the board chairman, your good self, can we use the time scheduled on Tuesday to have the smaller group to present the findings at that forum and then I told her what the procedure would be if you wanted to do that even at the last minute and then she asked again this morning, advised as if tonight's activities was going to be a public meeting or adjourning to meet separately and that's when I responded that I hadn't been copied in on any of the council responses, questions, or correspondence that may have been sent to Plante & Moran. So, I don't know if there was any discussion there, but since you announced at last night's regular council meeting that there's a special meeting tonight at 5:30 I could only conclude that you didn't have any interest on canceling the public meeting.

Mr. Heffner stated, truthfully, Mayor, you could've called me or text me and ask me.

Mayor stated, I could've but I've been in meetings all day today myself.

Mr. Heffner stated, and you could've asked me last night.

Mayor stated, Well last night you announced that there's going to be one so I had to make that conclusion that, and because you had been informed on this email, that it was your intention to have a public meeting.

Mr. Heffner stated, yes.

Mayor stated, that's fine. I was just relating that to Michelle. That's how I concluded it would be a public meeting and that….

Mr. Heffner stated, I just wanted to let you guys know why I didn't respond to any of those emails.

Mayor stated, okay, that's fine.

Ms. McHale stated, it was absolutely fine, we were asking more for planning purposes because of the power point we were presenting. We wouldn't have needed to if it wasn't a formal session. That was all.

Mr. Smith inquired, did you get anybody to answer any questions at all from the Council? Were there any questions?

Ms. McHale stated, no.

Mr. Smith stated, see for me the purpose of this is to hear what you guys had to say because you're coming from the outside looking in and I wanted to hear what you guys had to say so to me it was more than just sitting back. I did see the one email but what are we doing right, what are we doing wrong, and how do we get better. That to me was the focus of this. And I think we accomplished a lot of this tonight. We can't get lost on this - this is too important. I just want to make sure we follow through on this come this fall.

Ms. McHale stated, absolutely. The reason we wanted those questions ahead of time is to make sure we were prepared in any of our presentations with the visuals to address any issues that may have come up.

Mr. Heffner inquired if anyone else on the council had any questions. None. Please keep me informed so I can inform the council on what you request.

Meeting adjourned at 8:17 p.m.

E. AUDIENCE PARTICIPATION

Now is the time set-aside for members of the audience to address the Burton City Council. I would ask each individual to give their name and address for the record and to limit their comments to three (3) minutes and to speak on the topics germane to City business.

Meeting was adjourned at 8:17 PM.

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