



**MINUTES**  
**Committee of the Whole**  
**Monday, February 10, 2020 @ 5:30 p.m.**  
**Tony Benavides Lansing City Council Chambers**

**CALL TO ORDER**

Council President Spadafore called the meeting to order at 5:30 p.m.

**PRESENT**

Councilmember Peter Spadafore  
Councilmember Adam Hussain  
Councilmember Carol Wood  
Councilmember Patricia Spitzley  
Councilmember Kathie Dunbar  
Councilmember Brandon Betz  
Councilmember Jeremy Garza  
Councilmember Brian T. Jackson

**OTHERS PRESENT**

Sherrie Boak, Council Staff  
Samantha Harkins  
Jim Smiertka, City Attorney  
Lisa Hagen Assistant City Attorney/Council Research Assistant  
Shelbi Frayer, Chief Strategy Officer  
Jake Brower, Budget Director  
Eric Brewer, Council Internal Auditor  
Paul Matz, Rehman Robson

**Minutes**

MOTION BY COUNCIL MEMBER HUSSAIN TO APPROVE THE MINUTES FROM JANUARY 27, 2020 AS PRESENTED. MOTION CARRIED 8-0.

**Public Comment**

No public comment at this time.

**Presentations**

Rehman Robson; City of Lansing Comprehensive Annual Financial Report (CAFR)

Mr. Matz presented the results of the audit ending year ending June 30, 2019. Goal of the audit is the financial statements are stated accurately. At conclusion of audit, they list their opinion, but the financial statements themselves are prepared by management. Regarding

the findings and audit results, there were three items material weaknesses, and two of those have carried forward from the last couple years.

Council Member Spitzley asked Mr. Matz for the definition of “material weakness”, and she informed it is defined as deficiencies or a combination of deficiencies of internal controls such that there is a reasonable deficiency could be corrected on a timely basis.

Mr. Matz referenced the 2<sup>nd</sup> item in their letter which spoke to the submission of the pension information and it was not submitted on a timely basis near end of fiscal year, and required adjustments. He acknowledged this comment was a carry forward comment. The 3<sup>rd</sup> item speaks to the bank reconciliations, and in this case there was a gap in time when the last reconciliations had taken place. Based on the observations this year, Rehman Robson do not see issues in the future.

Council Member Wood referenced the Internal Auditors memo which noted the same issues were being mentioned back as far as 2014, and in those cases Rehman Robson stated they were felt they were being taken care of. There is a concern Council continues to hear the same thing year after year. Council Member Spitzley agreed that there is a concern that Rehman Robson continues to state that based on observations they think these will be taken over. Council Member Spitzley asked for concrete statements and steps these items will not happen again. Mr. Matz explained that in those cases, they recommended the City assess staffing and were told by the City it was being looked at. Council Member Wood pointed out another instance where the comment on bank reconciliations was made in 2014, 2015, 2016, 2017 and 2018, and again Council was told it was being resolved, but appeared year after year. Therefore, the question was asked why they assess any progress if nothing has been done. Mr. Matz explained that as the auditing firm, they follow up on the comments, and if there has not been appropriate action, they are required to repeat the comments until corrective action has taken place. It would be the City’s management tasked to address those comments.

Mr. Matz referred the Committee to their transmittal letter, along with the management discussion and analysis section.

Council Member Jackson asked why they do not provide an opinion on internal controls, and Mr. Matz replied that they follow the accounting standards and that would be true for all audit organizations. Council Member Spitzley noted that it was stated “in our opinion”. Mr. Matz noted that their efforts are in the audit and they have a high level of confidence the audit process will be much better. Council Member Spitzley asked what the definition of “material weakness” is, and what happens after material weakness has not been addressed over multiple years. Mr. Matz stated from the audit reporting perspective, there are levels, there are other audit measures, ways to improve. The next level is “significant deficiency” there is no way to report higher than material weakness.

Council Member Wood asked how long Rehman Robson had been in contract with the City. Mr. Matz confirmed they have been with the City since 2009 but have not had a formal contract for as much as 3-5 years, but an annual agreement over the last several years.

Council Member Wood asked if they ever audit HUD funds, and Mr. Matz noted that HUD funds are subject to single audit/compliance audit. That process is scheduled to be complete by the end of March.

Council Member Wood asked what funds they search for the spot audit. Mr. Matz stated they do not have a particular fund, they touch all cash funds so that no specific funds. He was asked about the parking fund/enterprise fund and confirmed they do look at those.

Mr. Brewer was asked if he had any comments to highlight and was directed Council Members questions would be asked and answered first.

Council Member Betz asked about the pension liability reflecting 54.5 %, and the recommendation to research to reverse negative funds. Mr. Matz stated it is an assessment from communications. He was then asked what their recommendation was to rectify. Mr. Matz recommended closing plans, changing provisions, make lump sum contributions. It would all be a management decision.

Council Member Dunbar asked if it was the responsibility of the audit to point out the issues and the City to determine how to fix them. Mr. Matz agreed it was the clear rules on independence, and they can point out what observe.

Council Member Spitzley noted that usually every 3 years there is a rotate of audits and she had a concern with the City having the same auditor, Rehman Robson since 2009. Lastly, she asked for an explanation on what the Administration is doing to address the reoccurring theme in the Finance Department.

Council Member Betz asked Mr. Matz how confident he and Rehman Robson were that the City actually knows where the final finances are, given that all the material weaknesses are being pointed out repeatedly. Mr. Matz stated that part of the reason for comments and timely available of the trial balance. If the bank reconciliation is not done timely and is not taking place, it brings into question the information getting throughout the year.

Council President Spadafore asked when Ms. Bennett, the Finance Director left and Ms. Harkins confirmed August, 2019. He then asked what changes have been made in the Finance Department since then, and Ms. Harkins noted they have a new Director, Budget Director and Controller. Ms. Frayer corrected the date, noting Ms. Bennett left in September, 2019 and she will work with the administration hold Finance accountable. Council Member Dunbar asked Ms. Frayer what types of checks and balances were being done now to make sure filings are being taken care of. Ms. Frayer stated they have created a department schedule for filings with the State and Federal government.

Council Member Wood asked Mr. Matz if they audit the pension fund and it was confirmed they do. The next question that Mr. Matz was asked if it was being audited how did they not know that the City had not paid in the pension fund for 3 years. Mr. Matz stated it is difficult to audit what they do not know exists.

Council Member Dunbar stepped away from the meeting at 6:02 p.m.

Council President Spadafore asked how many vacancies were currently in the Finance Department, and was told one; and administrative assistant position.

Mr. Brewer spoke briefly on his review, referencing page 5 of his report.

Council Member Wood asked when they plan to bid out for a new auditor, and Ms. Frayer noted they intend to do an RFP in March. She then asked if the Finance vacancies were filled with full time, part time or contract employees, and Ms. Frayer confirmed all full time and one contract, which has been only for a couple months.

#### FY2020 2<sup>nd</sup> Quarter Budget Report and Vacancy Factor (12/31/2019)

Council Member Wood stated that in the past at multiple meetings Council has asked the report list the vacancies that are currently being filled by a contract employee, how much the contract is, what the savings are, and how long the position was vacant. Mr. Brower stated the report was a collaboration of Finance and HR, and they hope to improve the details so Council can make informed decisions.

Council Member Dunbar returned to the meeting at 6:09 p.m.

Council Member Wood reference the HRCS position of the investigator, which has been filled by a contracted employee for years, but the vacancy is not even listed on the spreadsheet as contracted, so they are not saving the \$33,000 as listed. Mr. Brower acknowledged they are developing an automated information spreadsheet with HR. Council Member Wood reminded the Administration that Mr. Brewer in the Council offices has been working on this so they should communicate with him. Council President Spadafore asked why positions that have been vacant for 3-11 years are still listed and not filled. Ms. Frayer stated that some positions are harder to fill because of the pay scale.

#### FY2020 2<sup>nd</sup> Quarter Budget Report and Vacancy Report

Mr. Brower went through the budget amendment document in the packet.

Council Member Wood noted that during the budget process in 2019 the income tax dollars would be falling within the expectation, and asked if the East Lansing new income taxes would affect this, and were assured they would not, now the report shows a negative \$2,400,000 impact. She asked for an explanation why, but Mr. Brower could not explain specifics but noted there is a current East Lansing income tax in full effect and expected to impact the City. Ms. Frayer added that it appears the property and income tax were both estimated on 3% of inflation, but she too could not explain why the affect, however they plan to take a more conservative approach. Council Member Spitzley also was concerned with the \$2,400,000 adjustment in the income taxes and asked if they were working with Treasury. Council Member Betz asked if the \$2,400,000 was a one time drop or if they predicted another drop in the future, and Ms. Frayer confirmed it is a recommendation based on the funding today, where it is expected today and at this point the Council could see the same number in the budget next year. Mr. Brower moved further into the revenue amendments and the expenditure amendments. He did note that the (\$61,000) in Neighborhood and Citizen Engagement Personnel was moved to operating because they plan to hire a contracted employee for the position that was approved last year and not filled. Council Member Spitzley asked if they were going to eliminate a City FT position for a contractor, and Mr. Brower answered they will not be filling it for the remainder of the fiscal year. Council Member Wood asked if this was the position the Mayor established in the budget last year, and Mr. Brower stated it was a position since July 2018 and Ms. Harkins confirmed it was the position the Mayor put in the budget. Mr. Brower stated he would get more information on the position. Ms. Council Member Wood asked for details on the position to include what the duties would be, who and where would they be contracting out to.

Council Member Wood asked for the details on the (\$300,000) in Public Service Personnel, and if they were not hiring or contracting it out. Ms. Frayer stated there are multiple positions they do not expect to fill in this current fiscal year. The funds were moved to operating because of a contract with Johnson Controls on the evaluation of City buildings. Council Member Wood asked why earlier stated they do not have funds to increase the salary for postings of electrical and plumbing inspectors, but have the funds in this line item. Council Member Jackson asked if the Police (\$310,269) and Fire (\$249,731) were funds recommended from the FHT, retirement board or the fluctuation in the market. Ms. Frayer stated the actuary does not come back until after the budget so they use assumptions and this

year they were off in those assumptions so the amounts are from the actuary. Council Member Wood stated that the actuarial was recently referred to Ways and Means, and the actuarial will be presented at the Retirement Board in March and since Council Member Jackson sits on Ways and Means he can attend the Retirement Board for that presentation if he wants.

Mr. Brower noted that the amount in HRCS is for temporary services. Council Member Wood asked if the recent departure of the Finance Director and the HRCS Director involved any incentives or buyouts. Ms. Frayer and Ms. Harkins stated there were not. Mr. Brower concluded that the vacancy factor is being adjusted by \$500,000. Council Member Wood asked if that was an estimate, and without being an adjustment would it have remained the same by the end of the year. Mr. Brower stated it would have stayed close to the original estimate, and Ms. Frayer added it would be at the \$700,000.

Regarding the \$268,145 net transfer, Council Member Wood asked if that funds are owed because of the soccer lease. Mr. Brower stated it was not. Council Member Wood asked if that lease was still owed, and Ms. Frayer stated that was not in this FY, but in FY2019. Council Member Wood pointed out that Council was told that not all the invoices had come in yet. Mr. Brower could not provide any updates. Council Member Wood asked if those expenditures would be coming out of the 2019/2020 budget, and Mr. Brower confirmed there were expenditures and included in the new transfer.

Council Member Wood asked if there funds left over from the sale of the ramps and if there were any discussions on using those funds to off set the issues. Mr. Brower stated the funds from the sale of the parking still remains in the parking funds balance, at \$1,300,000. Council Member Wood stated the understanding was those funds were going into the General Fund, and asked who decided to keep in the parking fund. Ms. Frayer stated they are hoping to move those funds to the General Fund.

Regarding the Recycling Fund on the last page of the document, Council Member Wood asked if there were any conditions in the agreement for the MRF for addressing the delay moving forward. Mr. Smiertka stated he would review the contract.

Council Member Jackson stepped away from the meeting at 6:45 p.m.

### **Discussion/Action**

PLACE ON FILE – City of Lansing 2019 Annual Report

MOTION BY COUNCIL MEMBER WOOD TO PLACE THE REPORT ON FILE. MOTION CARRIED 7-0.

### **Adjourn**

The meeting adjourned at 6:47 p.m.

Respectfully Submitted by,

Sherrie Boak, Recording Secretary, Lansing City Council

Approved by the Committee on February 24, 2020