

**August 29, 2017
Special Meeting**

MINUTES OF THE SPECIAL MEETING OF CITY COUNCIL .HELD AUGUST 29, 2017

A Special Meeting of Hopewell City Council, was held Monday, August 29, 2017, at 9:30 a.m. at the Office of the Auditor of Public Accounts at 101 North 14th Street, I Richmond, Virginia.

PRESENT:

Jackie M. Shornak, Mayor
Jasmine E. Gore, Vice Mayor
Arlene Holloway, Councilor
Brenda S. Pelham, Councilor
Janice Denton, Councilor
Christina Luman-Bailey, Councilor (left at 11:30 am)
Anthony Zevgolis, Councilor

Mark Haley, City Manager
Charles Dane, Assistant City Manager
Stefan Calos, City Attorney
Ronnieye Arrington, City Clerk
Lance Wolff, Interim Finance Director
Floyd Lark, Website Developer/Manager

Martha Mavredes, Auditor of Public Accounts Office
Rachel Reamy, Auditor of Public Accounts Office
Michael Westfall, Office of the State Inspector General
Rob Churchman, Cherry Bekaert, CPA

ABSENT:

ROLL CALL

Mayor Shornak opened the meeting at 9:30 a.m. Roll call was taken as follows:

Mayor Shornak	-	present
Vice Mayor Gore	-	present
Councilor Luman-Bailey	-	present
Councilor Holloway	-	present
Councilor Zevgolis	-	present
Councilor Denton	-	present
Councilor Pelham	-	present

REVISE/ADOPT AGENDA

It was noted that item SB-2 was not included on the Notice for this special meeting, so that item needed to be removed. So that Cherry Bekaert would not have to stay for the entire meeting, Mayor Shornak requested that item SB-3 be moved to SB1. Councilor Zevgolis made the motion to move item SB-3 to SB-1 and remove item SB-2. That motion was seconded by Councilor Pelham. Upon the roll call, the vote resulted:

Mayor Shornak	-	yes
Vice Mayor Gore	-	yes
Councilor Luman-Bailey	-	yes

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Councilor Holloway	-	yes
Councilor Zevgolis	-	yes
Councilor Denton	-	yes
Councilor Pelham	-	yes

Councilor Pelham made a motion to adopt the agenda, which was seconded by Councilor Luman-Bailey. Upon the roll call, the vote resulted:

Mayor Shornak	-	yes
Vice Mayor Gore	-	yes
Councilor Luman-Bailey	-	yes
Councilor Holloway	-	yes
Councilor Zevgolis	-	yes
Councilor Denton	-	yes
Councilor Pelham	-	yes

SB-1 (formerly SB-3) – **Discussion of financial matters relating to the Comprehensive Annual Financial Report for FY2015 – Cherry Bekaert** – Rob Churchman presented council with a “manager’s draft” of the 2015 Comprehensive Annual Financial Report (CAFR) for 2015. He stated that a copy of the CAFR had been provided to the APA on August 28, 2017. Vice Mayor Gore asked him what time the information was sent to the APA. Churchman replied that it was between 5:30pm and 6:00pm; then he confirmed that Ms. Reamy replied to his email at 4:51p.m. Gore asked what additional steps are needed to complete the CAFR. Churchman said he sent the CAFR to the APA at management’s request. He also said he didn’t anticipate any changes.

Councilor Pelham asked if the CAFR was sent to Administration when it was sent to the APA. Churchman replied in the affirmative. Pelham asked why the CAFR wasn’t sent to Council at the same time. Churchman said he was only asked to send to Administration and the APA. Pelham asked how long the technical reviews would take. Churchman said that should only take a couple of days.

Pelham asked Churchman if the CAFR was late due to problems with the cash reconciliation. Churchman responded affirmatively. Pelham asked what Churchman was doing while the cash was being reconciled and what else inhibited the process. Churchman said that there were numerous errors in the information that was given to him, which were pointed out in Cherry Bekaert’s April 4, 2017 report to Council.

Councilor Pelham asked the City Manager why was APA not advised of status of the CAFR, she also asked the Mayor why she didn’t advise Council that she had received notification from the APA. Haley replied that the APA was aware that the CAFR was late, and so there was no need to contact them.

Mayor Shornak stated that she gave the City Manager the letter she received from the APA. She further stated that she was the one who called out the former finance director, Jerry Whitaker, on the status of the CAFR. She explained that there were issues with the previous finance director, and that no one could pin anything on her because she was not responsible. She said she is on record in Council and in the media for her stand regarding the CAFT. She stated that she did not want to discuss internal issues while at the APA building meeting with the APA, and then thanked CB for providing the draft CAFR.

Councilor Pelham asked the Mayor why the letter was shared with the City Manager and not Council. Gore said letter requested information from the City, which request should have been relayed to Council.

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Gore also noted that there were things that were outstanding, including things from other departments. She said that Whitaker had provided Council with a list of outstanding items. She also noted that the Finance Committee didn't get involved with the CAT until June 2016, which was well after the deadline for the 2015 CAFR.

Gore asked Churchman about Cherry Bakaert's contract with the City. She said she thought CB had a five-year contract that ended June 30, which contract was for a flat fee. The new contract was signed with very tight deadlines, some of which had already expired. Churchman said they did the contract because Whitaker asked them to step in. He said the contract had tight deadlines because CB knew the CAFR was late and that other deadlines had already been issued. Gore remarked that some of the pre-existing issues had been treated as if they were new items.

Haley stated that Whitaker had issued the contract with CB on his own. Haley said he had no idea of the terms of the contract. Gore noted that the previous contract with CB required five signatures, but the current contract only had Whitaker's signature.

Councilor Denton asked Churchman about the time table to get the CAFR completed, and what had caused the lapse. She asked Churchman how many errors were found. Churchman responded that two adjustments [corrections] were within normal limits; however, so far they have had to make over 90 adjustments to the 2015 CAFR. Denton asked if the fact that the City submitted to CB so many trial balances, and there were so many adjustments, the reason the CAFR was late. Churchman responded affirmatively that was part of it.

Councilor Zevgolis noted that he came back on Council in January of 2015, and that it appeared that CB was not engaged until seven months later. He spoke about the Beacon being a drain on the City's finances. He also said that Council has no authority over the finance director. He said that Council should have addressed their comments regarding finance to the City Manager. Zevgolis said there was obviously a problem and had been since the CAFR was costing \$750,000. He asked if we [the City] was paying two CPA's to do the 2016 CAFR. Haley responded that while there would be some overlap, only PB Mares was hired to do the 2016 CAFR. He said PBM had already done their field work.

Luman-Bailey asked Council to be considerate of their environment and not air its dirty laundry in this public setting.

Gore asked Churchman what was the total we have paid CB so far. Churchman responded that he believed it to be \$525,000.

Pelham asked Churchman if he had ever seen two CAFR's done simultaneously. Churchman said no, he had not. Pelham asked if it were possible to do—did one year have to be closed out completely before the next year could be done. Churchman said yes. Dane added that some of the work could be started, but that ultimately the 2015 would have to be closed out to start the 2016 in earnest. Pelham requested a copy of PBM's contract with the City. Dane said he would forward Council a copy.

SB-2 Discussion of financial matters relating to the budget FY2015, FY2016 and FY2018—Office of the State Inspector General (*OSIG is attending this meeting as a guest, and is neither a presenter nor participant*) – this item was removed from the agenda.

SB-3 (formerly SB-1) Discussion of financial matters relating to the Comprehensive Annual Financial Report for FY2015, FY2016 and FY2017—Auditor of Public Accounts Office - Martha

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Mavredes stated that Hopewell was the only locality that had not yet completed its FY2015 CAFR, and one of only two that have not completed their 2016 CAFR. She thanked Administration for providing them with the draft 2015 CAFR, and said it would be great if the City would forward the final upon completion. Mr. Haley said that he would do so.

Councilor Zevgolis asked CB if their audit would have revealed evidence of fraud or malfeasance. Churchman said that, unless he was specifically asked to look for it by the City. That was not a normal part of the CB audit procedure.

SB-4 Discussion of the fiscal stress survey—Auditor of Public Accounts Office – Ms. Mavredes explained that the fiscal stress alert was created by the APPA as a means of predicting localities that were either in fiscal trouble, or were heading that way. She said that they use the CAFR to determine if a locality is having problems. She stated that Hopewell’s failure to complete its 2015 CAFR and 2016 CAFR was, in and of itself, a harbinger of a problem. She said that the APA intended to follow up with Hopewell as to its status, and that the APA fiscal stress survey was part of that follow up. Vice Mayor Gore asked how the APA would advise a city, such as Hopewell, of problems or concerns. Mavredes said the APA would notify the council through its mayor, the finance department through its director, the delegate for that area, and the administration through the city manager. Gore asked if that was done for Hopewell, and Ms. Mavredes responded that a letter was sent to Hopewell’s mayor, finance director, Riley Ingram, and the city manager. Councilor Pelham asked Mayor Shornak why Council was not provided a copy of the letter sent to her by the APA. Mayor Shornak responded that she had given her copy of the letter to the city manager when she discussed it with him.

Mr. Haley explained that despite the lack of CAFR, the City had \$11 million in the General Fund of which \$10.5 million could be assigned or unassigned, the Fund Balance held \$1.3 million, and \$4.8 million was held in the Rainy Day Fund. He said the City of Hopewell had a reporting problem, but not a financial problem.

Ms. Mavredes explained that the APA does not get involved in fraud, other than that involving constitutional officers.

At 11:30 a.m., Councilor Luman Bailey requested to be excused from the remainder of the meeting due to illness.

SB-5 Discussion of the FY2018 budget, including MUNIS applications – Mayor Shornak stated that she did not believe this to be the best forum to discuss internal matters such as the budget and the software used by the City. Vice Mayor Gore explained that she placed this item on the agenda because it had already been stated and proved by the previous finance director as well as the interim finance director that part of the problem with the 2015 CAFR was the MUNIS software. She further stated that the FY2018 budget had been changed many times since it was initially presented to council, and that Council was supposed to see a revised budget resolution, but that had not happened. She stated that the original budget and budget resolution were full of errors. Mr. Dane agreed that there were errors in the budget and resolution and stated that he would bring a draft financial report to Council when it was done, and that he would get a new budget resolution to Council upon completion of the 2015 CAFR.

SB-6 Discussion of FY2018 budget resolution – Gore acknowledged that the FY2018 budget resolution had been addressed in the previous number. She asked the finance director if he could provide Council with the rainy day balances, which Lance Wolff, interim finance director, said he would give to Council upon completion of the 2015 CAFR. Gore asked Dane if any of the \$2.5 million that was never borrowed by Council had been spent. Dane acknowledged that some of the money was spent because the

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previous finance director issued multiple purchase orders against that money, even though Council had not approved the expenditures since the money was never borrowed. He stated he was working on an accounting of projects on which the money had been spent. He said he would provide Council with a list of projects that were not active, as well as active projects and let Council advise as to next steps.

Councilor Pelham moved that the agenda be revised to remove the closed meeting as that was no longer needed. The motion was seconded by Councilor Zevgolis. All council voted in unison to approve the motion.

ADJOURN

Councilor Zevgolis then moved to adjourn the meeting, which motion was seconded by Councilor Holloway. All council voted in unison to adjourn the meeting.

/s/
Jackie M. Shornak, Mayor

Ronnieye L. Arrington, City Clerk