

**CITY OF COLUMBIA
WORK SESSION MINUTES
JANUARY 14, 2009 – 9:00 A.M.
CITY HALL - 1737 MAIN STREET – 2nd Floor**



The Columbia City Council conducted a Work Session on Wednesday, January 14, 2009 at City Hall, 1737 Main Street, Columbia, South Carolina. The Honorable Mayor Robert D. Coble called the meeting to order at 9:11 a.m. The following members of Council were present: The Honorable E.W. Cromartie, II, The Honorable Sam Davis, The Honorable Daniel J. Rickenmann, The Honorable Kirkman Finlay III and The Honorable Belinda F. Gergel. The Honorable Tameika Isaac Devine joined the meeting at 9:19 a.m. Also present were Mr. Charles P. Austin, Sr., City Manager and Ms. Erika D. Salley, City Clerk.

CITY COUNCIL DISCUSSION / ACTION

▪ **Council convened the meeting at 9:11 a.m.**

1. Audit Committee Charter – Ms. Jackie Breland, C.P.A., Consultant

Councilor Finlay suggested that the city hire someone full-time from outside the city to help develop a charter for the Audit Committee. He insisted that either the Internal Auditor is not functioning correctly or reports from the Internal Auditor are not being heard. He added that the Auditor has not been independent and we need a consultant to bring this together.

Councilor Gergel concurred with Mr. Finlay.

Councilor Finlay added that before we set up a charter we need someone to audit the Auditor.

Mayor Coble said that it would have to be a Certified Public Accountant (C.P.A.).

Councilor Finlay said that it would need to be someone with experience in forensic accounting and someone that is strong on policy. The individual would be set up to report to City Council once per month in a public session. He noted that there needs to be a defined goal for the Council to work towards and we need to be comfortable with a charter.

Mayor Coble asked if everyone is okay with this.

Councilor Finlay stated that we don't care if they are or not.

Mr. Charles P. Austin, Sr., City Manager said that he was prepared to make that recommendation to Council.

Mayor Coble said that we need an expert with experience that can be hired on a contractual basis not full-time.

Mr. Charles P. Austin, Sr., City Manager said that he was prepared to recommend to Council that we bring in an external auditor to serve in an internal capacity.

Mayor Coble asked Ms. Breland for her thoughts on the suggestion.

Ms. Jackie Breland, C.P.A., Consultant stated that she agrees with the recommendation.

Councilor Rickenmann said that we have to move forward with a forensic audit, because we need a consultant to go back and identify the past problems that got us here. He asked if it be appropriate to have the same person do that.

Councilor Finlay explained that the Internal Auditor should be like the score keeper in a football game and a forensic auditor is like the commentators of a game; I am not convinced that the two (2) roles are the same. One should keep track of the points and one (1) should tell us how the game was played.

Councilor Davis said that both should have experience in municipal government finances.

Ms. Jackie Breland, C.P.A., Consultant added that she agrees with the points made by the members of Council and that the experience and knowledge of the two (2) auditors would be different.

Councilor Finlay asked the City Clerk to pull the minutes from the meeting on the Tax Increment Financing (TIF) settlement, because he believes that the Council took a vote at that time to hire a forensic auditor, but that wasn't done.

▪ **Ms. Devine joined the meeting at 9:19 a.m.**

Councilor Finlay said that we have an Internal Auditor now and we had awful problems and nothing has come to us; we haven't heard a word. Has staff heard a word? How do we look into that? Did staff hear this and not tell us? Did the Auditor find any problems? How do we understand how this process has not raised a flag over the last 3-4 years?

Ms. Jackie Breland, C.P.A., Consultant said that they can have an external auditor to audit the process to determine what was broken.

Councilor Rickenmann said that trying to do this as we go won't work.

Councilor Gergel asked Ms. Breland for the timeframe needed to conduct a forensic audit.

Ms. Jackie Breland, C.P.A., Consultant responded that we would have to define what is to be audited before we can determine a timeframe.

Councilor Devine reminded the Council that we had this discussion one year ago, but first we wanted to make sure we had these audits completed. How can we do a forensic audit now knowing that the 2007/2008 audit isn't complete?

Ms. Jackie Breland, C.P.A., Consultant said that it's not a problem since they are auditing the process.

Councilor Finlay restated his concerns about the Internal Auditor.

Councilor Rickenmann said that there is no sense in adopting a charter when policies are not in tact.

Councilor Finlay said that he is not concerned about what's on paper, but he is concerned about how the process works. We have an annexation policy that we don't use. We have an

investment policy that we don't use. We need the light shining on issues to fix them quicker. Councilor Cromartie asked Ms. Breland what she envisions to be the end product. What is the objective of a forensic audit?

Ms. Jackie Breland, C.P.A., Consultant said that the Forensic Auditor would deliver a report to Council, but first the Council needs to define the objectives of the forensic audit.

Councilor Cromartie said we need to know the scope of the issues; where would we get the road map from.

Ms. Jackie Breland, C.P.A., Consultant said that she could not put together such a list without input from Council and staff.

Councilor Cromartie said that we need someone to guide us. He asked if the Finance Department would help them determine the questions to ask.

Councilor Davis said that there are two (2) approaches, but it will be a result of everybody's input.

Councilor Devine said that we as a Council feel handicapped. How can we address issues that we are not aware of? We feel like someone had to know that there were some problems and if that was not conveyed to us we should not feel comfortable with staff helping us to move forward. We need to fix things going forward. I appreciated Mr. Bill Ellis' presentation last week and now our confidence level is better than what it was. We don't understand our full range of problems and we need some guidance.

Councilor Rickenmann said that we need all of the policies in front of us and we need to know all of the problems to date. The external consultants can give us more direction with the information we provide.

Mayor Coble suggested that they refer to it as the outside internal auditor. He said that someone needs to draft a Request for Qualifications and City Council would need to interview the respondents.

Councilor Finlay said that the external auditor cannot be attached to our auditors, the Municipal Association of South Carolina or any other financial consultants hired by the city. The people who can respond to the Request for Qualifications have to be totally independent.

Ms. Melisa Caughman, Interim Finance Director said that we talked about this in August and we have some draft Request for Proposals.

Mayor Coble asked Ms. Caughman to share those drafts with Ms. Breland.

Mr. Charles P. Austin, Sr., City Manager suggested that they clear the board and go back to square one with a draft Request for Proposals. He suggested that we start from scratch.

Councilor Finlay said that we have to give that person the autonomy to run what they want. Staff has to realize that the lack of cooperation is a greater insult than a mistake. The second issue I see is that originally staff in the eighties and nineties put money away in reserve accounts as they could, in essence staff went on an over reserving binge that was not brought to the Council's attention. In 2000 or 2001 it went the other way and we were

depleting reserves, but the communication circuit was already broken and the large surplus went to offset the healthcare cost. He believes that staff knew the cost and knew the issues and over a consistent period of time we underestimated revenues. We can't fix it; we can only try to do better.

Councilor Gergel said that this is a good plan.

Councilor Rickenmann requested all statements for the Finance Department and all discoveries so that we are prepared. We need to go through the policies so we can have a good grip on the situation.

Councilor Davis said that we need to be in a position to give the Auditors directions.

Councilor Rickenmann said that we need to truly know our challenges ahead of time and not publicly. He directed the City Manager to make sure they have all of these things.

Mayor Coble asked Ms. Breland to draft a Request for Qualifications for an auditor that is a Certified Public Accountant with extensive municipal experience and experience with organizations that have significant financial troubles. The auditor would be hired on a contractual basis and must be independent of other firms already affiliated with the city and he/she must be available immediately. He asked Ms. Breland how long she needs to prepare a draft RFQ.

Councilor Finlay reiterated the fact that staff is not somebody you need collaborative information from.

Ms. Jackie Breland, C.P.A., Consultant stated that she hasn't had any interaction with the findings. She is trying to determine if she can do this.

Councilor Cromartie suggested that Ms. Breland prepare the RFQ based on the qualifications required.

Councilor Finlay asked that the last five (5) management letters be provided to Ms. Breland.

Councilor Devine inquired about the forensic audit.

Mayor Coble suggested that they get this one done first.

Councilor Rickenmann suggested that they get both of them out the door at the same time.

Ms. Jackie Breland, C.P.A., Consultant asked for a point person on Council.

Councilor Cromartie suggested that the Mayor be the point person.

Mayor Coble asked that Ms. Breland communicate with him via e-mail and then he would distribute the information to the members of Council.

Councilor Devine suggested that Ms. Gober provide all of their e-mail addresses to Ms. Breland before she leaves today.

Mayor Coble asked Ms. Breland to draft a RFQ for the forensic auditor as well and to keep them posted on timeframes.

Ms. Jackie Breland, C.P.A., Consultant warned the Council that she may not be able to do both drafts in a week.

Mr. Ken E. Gaines, City Attorney added that he will provide Ms. Breland with assistance.

Councilor Cromartie asked if we are doing both Requests for Qualifications simultaneously.

Mayor Coble said that's correct and asked if we were going to hold off on the charter.

Councilor Rickenmann said that we must have a good understanding and details so that the guidelines are well defined. He directed the City Manager to provide the policies and findings to Ms. Breland.

There was a consensus of Council to direct Ms. Jackie Breland, C.P.A, to draft the appropriate Requests for Qualifications for outside internal auditing assistance.

Upon motion by Mr. Cromartie, seconded by Ms. Devine, Council voted unanimously to go into Executive Session at 9:45 a.m. for the Discussion of the Employment of an Employee, which is the continuation of the City Manager's annual evaluation from December 4, 2008; December 10, 2008; December 19, 2008; and January 7, 2009.

- **Council adjourned the meeting at 11:45 a.m.**

Respectfully submitted by:

Erika D. Salley
City Clerk