

Finance Committee Minutes

March 15, 2021

Members present: Daniels, Schaber, Meade

With a quorum present, Daniels called the meeting to order at 6:30 PM.

Minutes

Meade made a motion to approve minutes of 03/01/2021; Schaber 2nd; Roll Call: Ayes – Daniels, Schaber, Meade; Nays – none.

03/01/2021 MINUTES APPROVED (3-0)

Old Business:

Item 1. CONTINUATION OF DISCUSSION AND UPDATES REGARDING CONCERNS IN AUDITOR'S OFFICE, SPECIFICALLY ERROR ON IRS PAYMENT

- Daniels/Landon

It was noted that Auditor Landon was not in attendance due to an illness in his wife's family.

Deputy Auditor Watts stated that he would try to answer any questions, depending on what they would like to discuss in the Auditor's absence.

Mr. Daniels stated that there have been claims by Mr. Landon of a million-dollar misreported revenue or expenses from the auditor's office. He asked Deputy Auditor Watts about the veracity of that statement.

Watts >> "There is a difference in accounting systems between accrual basis accounting and modified accrual. That's where the difference lies. It's not an actual loss of funds or anything. There are no funds missing from the city by any administration that we know of. We went through an audit last year and the audit was clear. We've been in there for a year. There are no funds that are missing from the city coffers. It's an accounting concept. That's all I really have to say about that. You could ask Cathy Chaffin. She has a better knowledge on the modified accrual than I do, but it's just accounting... the way you look at the books."

Mr. Daniels addressed Chaffin. He went on to say there has been some contention between Auditor Landon and Chaffin over the idea of an accounting error or a different way of looking at accounting. He never heard it phrased as such from Auditor Landon. Mrs. Chaffin agreed. He has asked Mr. Landon, and wants to know if his claim is true or not, so that people who might have heard him make that claim can understand that it was an accounting error, a different accounting methodology, or there was a problem and Mr. Landon identified it. Daniels said, the last time he spoke with Landon, he told the Auditor that he would need to bring proof of that now that he has made this claim. Daniels indicated that he would listen to him. No attempt to be provide proof has been made to date.

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In response to Daniels, Chaffin continued >> “I said this in the meeting we had with the Administration. Mr. Landon was there, Mr. Watts, Miss Hutchison, Mr. Caryer, Mayor Schertzer, Mark Russell, and myself and Jim Bischoff. We were in this meeting and I told Mr. Landon that making those types of unfounded allegations were inaccurate to begin with and that his problem was he did not understand cash accounting, accrual accounting, or modified accrual accounting. New World systems was set up under a modified accrual accounting, where you account for your potential liabilities but you do not do full accrual... which you account for all of your anticipated revenue on the day that it's billed versus the date that you receive and your liabilities are accounted for when you accrue them versus when you paid them. We always wanted to know what the city's liabilities were that were coming due. And he's having a problem reconciling. He's had a problem all year long. He does not understand how to do the bank reconciliation and compare that with the treasurer's bank balance. And it's a matter of him understanding what is cash, modified accrual, or accrual accounting. He wants to go to full accrual accounting. That's his choice.”

“And in fact, I did a public records request -- privately -- for any and all documentation related to this allegation. And the Auditor of State's office, Mr. Robert Hinkle, had been corresponding since November the 20th of 2020 with Mr. Landon. There's a total of, I believe, four emails here which reference a modified accounting procedure that he would like to implement to go to full accrual. The Auditor of State's Office do not have a problem with that and they're saying that they approve of him doing that if he so wishes.”

“So, that is the gist of this and Mr. Landon to throw out those slanderous, biased and untrue statements are not going to be tolerated by me or anyone else... I would imagine. I take personal offense to that because this is an ongoing pattern with Mr. Landon. And I would say this to him today, I would say it next week, I would say it last week or last month, and I will not change my opinion on that. So, when he starts to understand what the differences are by taking an accounting class and understanding what cash, modified accrual, or accrual is, then he will understand how to do his job.”

Mayor Schertzer >> “So, I just want to be very clear for everybody on the Zoom meeting tonight. The meeting that was referenced was on March 9th. It would be a week ago tomorrow at 11 a.m. and it was with the Auditor's senior staff and my senior staff. And the way Mr. Watts, Deputy Auditor, just explained it was pretty much the way he explained it in the meeting on March 9th. It's an *accounting preference* <with emphasis> and that's what I believe it is. And Mr. Watts doesn't believe that there is anything amiss because of this transition from a modified accrual to a full accrual and that's nothing more than what it is and there is some documentation to support that from one of the State Auditors. So, I just wanted to make it very clear to members of Council and anybody on the Zoom tonight that we did have this meeting on March the 9th and that was the way it was explained by Deputy Auditor Watts.”

Daniels to Watts >> “Considering yourself and members of the Auditor's Office and the Mayor's Office have met do you believe that everyone now has an understanding and that we won't have this misunderstanding moving forward that raises everyone's eyebrows and we have to explain something that doesn't exist away or may not exist?”

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Watts >> “Yes, I believe that that there is an understanding now and we are working with the State Auditors to do the next steps.”

Schaber asked if there were other things discussed at the 03/09 meeting between the Mayor’s administration and the Auditor’s staff.

Schertzer >> “So no, Councilman, that wasn't the only topic that was discussed. Obviously, the topic that has brought us to the point -- that we have been discussing for I think now almost three weeks or maybe this is the third week I've lost track -- is what happened with the issue with payroll in the last payroll of June of 2020. And we did get some clarification from Deputy Auditor Kimberly Hutchison on that issue as well. So, we feel a little bit better like we're getting some clarification. I know Mr. Watts said he was working on a timeline so we all had a clear understanding of what happened, when it happened, how it happened, why it happened, and so I think a little bit of clarity is coming into play. I don't want to speak for Mr. Watts on that timeline and where he is on that, but I hope that timeline will be shared with everybody who is concerned about the payroll issue that took place late last June of 2020.”

“And I do understand that maybe every Council Member received an email from Mr. Watts. I received mine, I think, on Friday. We did get the money that was double paid to the state refunded back. I think we believed all along that that was going to happen, and it did. So, thank you Mr. Watts for sharing that with at least myself. I'm not sure who else you cc'd on that. I don't remember but that's a good step in the right direction.”

“I think the only unanswered question now is this: was it permissible by the Auditor's Office to use 2021 money to pay a bill in 2020 -- which would have been what they inadvertently did not pay to the internal revenue service? And did they need Council's consent and authority to do so? That's an unanswered question for myself. I don't know if others have the same unanswered question.”

“I do want to make it very clear while we're on this topic because it has come up from time to time and on these Zoom meetings and in local media and in the public at large that I am not Mr. Landon's boss. Let's be very clear on that. He was elected by the people in the same year that I was. We are both members of the executive branch of government... municipal government.”

“My only concern is I just want to be informed of issues of this magnitude when they happen... to be part of the solution and not part of the problem and not find out about it six, eight, nine months later. And that was something that was also talked about in that meeting on March the 9th. Those were the primary things that we discussed.”

“We also discussed the cross training because cross training has come up a couple of times by Auditor Landon. I am a firm believer that cross training your staff is a safeguard for the taxpayers of this community, especially when you have a -- what I'll refer to as a -- relatively small office like the Auditor's Office. So, we talked about the cross-training of Deputy Auditor Kimberly Hutchinson when this mistake occurred in June of 2020. It appears -- and I don't want to speak for the Auditor, but my interpretation was this: That Kimberly Hutchison was not trained

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adequately to do the payroll. She made a mistake and that's what I'm going to refer to it as. That's what I referred to it as in the Marion Star a week ago. She made a mistake and at that point more people should have been informed of the mistake, so we can collectively -- as a team -- correct the mistake. She said she informed her supervisor, which is Auditor Robert Landon, and then again most of us didn't find out about this until I think mine was the week of February the 8th. So those are some of the questions and concerns that I have and certainly I believe that Deputy Auditor Watts is in his timeline will shed more light to some of those questions that I know I have.”

Schaber >> “I agree with the Mayor that the appropriation or lack of an appropriation is the issue -- big issue for me. And since I don't do anything on the weekend I sat down and wrote a whole bunch of stuff, comments, and read all the emails that were given in records requests. And I made my own timeline. I don't think any of us want to be that bored by it, because I have several pages of questions <and> comments that go along with this timeline. So, I don't really know where to start other than... If you want me to start at June 26 where the mistake was made, I can, but I really don't want to. There's just the gap in time from December 15th to February 2nd. When I believe -- February 2nd -- there was a mad dash to get this \$1.28 million paid. December 15th, I understand, was roundabout when they got a letter from someone stating a \$8,500 duplication of a 941 payment. During those roughly 45 days, at what point was there any investigation of how that at that moment the \$8,500 overpayment was made? And why there wasn't any investigation? And then the account number mistake would have come up. So, because, like I said February 2nd, if you guys read your emails from the records request... I don't know who all got it. I got it. But I mean someone was parked in their freaking driveway stuck in the snow freaking out that this \$1.2 million has got to go out today per Robert Landon so if there's any light could be shed between December 15th to February 2nd.”

Watts >> “We did get the notification from the IRS on the 15th and all I can say is that we were completing the year end -- where you close out all your books and you do all that -- and I believe that the investigation didn't start until into January because of the work that was being done to close the books out. And that's just the best answer I have.”

Schaber >> “So you find out December 15th and you don't look into a lack of payment or duplicate payment until the end of January. I think specifically would probably be January 29th would be the day -- around about the day -- that your office found out that you actually owed \$1.28 million. I imagine that was a hell of a long weekend. I don't drink, but I think I would. Because come Groundhog Day, we're scrambling to pay \$1.28 million.”

Watts >> “Yes, I'm not completely informed as to all the things that went on at that time. We had another employee in there at the time and he was the one that mostly handled the the 940s which is the report to the IRS. And I think that at that time is when our employee -- who is a union member -- came to us with the other member of our staff and brought that to the attention of the Auditor. So, I think that at that reconciliation period at the end of January is when the full scope of the problem came up clear to the office. As far as I was concerned, that's when it became clear to me.”

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Schaber >> “And during the -- I don't know what to call it other than the ‘Fall of the World’ -- on February the 2nd, what was going through the Auditor's Office -- any of the employees minds -- of we have this problem? Did you ever think -- I mean and I don't want to put words in anyone's mouths -- but that office tends to lean a lot on previous the previous Deputy Auditor for help. Why wouldn't --- that would that be the first place I would go.”

Watts >> “Yes, I'm not sure that that is the philosophy of the current office right now.”

Schaber >> “That could be unfortunate.”

Watts >> “It is.”

Daniels >> “While I have Mr. Watts and Mrs. Chaffin in front of me. Is there any disagreement between just the two of you to, you know, knock this information off each other? I mean, I have never heard any animosity towards the two of you. I mean there's some political play at the other end, but how about the two of you?”

Watts >> “Well, I personally don't have a problem with anybody in the courthouse or in the City Hall. I get along with everyone and I do a lot of times ask questions to Cathy because I rely on her for a lot of information that I do not have. And I have not found where anybody in the administration has ever denied me help or direction or anything. I personally do not know of any instance where anybody in the Mayor's or Tom Pannett -- those would be the two elected officials outside the Auditor's Office -- Tommy Pannett and the Mayor and all of his staff have always been helpful to me, so I mean that's just the only thing I can say personally.”

Chaffin >> “Mr. Daniels, if I may answer that also? Yes, I am very happy to assist and there has never been an issue between Deputy Auditor Watts and myself or any other staff member. If Mr. Landon came and asked me a question, I would be truthful and honest with him as well. I'm here to serve the City and I serve that in my current capacity as Service Director. But I do have the institutional knowledge from the Auditor's Office and can assist in where to locate information or where/how we did things and why we did them and I've often offered that. Mr. Watts has again been great to work with and, anytime he's needed assistance, I've always been willing to help him.”

Schertzer >> “Just to be clear to members of Council and the public at large and those on the Zoom tonight, my instructions to the Directors that I'm responsible for -- and I believe all three of them are on the on the call tonight -- as well as department heads that I'm responsible for is to assist in any way that we can to ensure that the business of the people is taken care of. But also, we're not here to do their job. I'm really think it's important and one of the things that I mentioned last Tuesday is the importance of staying in your lane. I know what my lane is. I know what my responsibilities are, but we are here to assist in any way that we can. And I have directed those that I'm responsible for to do so. And I hope and I believe that they have as you have just heard from Mr. Watts.”

Daniels >> “... but let me say this that any mission or any workload anything the administration - - when I speak of that I mean the Mayor's office -- in the city in general... if that Auditor's Office

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isn't functioning correctly, no one else can do their job correctly either. So, I do understand that it is NOT <emphasis> and, in all fairness, it is not another elected official's job to pick up slack for another one. But let's say I am encouraged that Mrs. Chaffin and Mr. Marden seem to have a good working relationship. That'll benefit the City."

Schaber >> "Clarification on what the \$1.28 million entails. Is that specifically from June 26th payroll time to the end of the year of 2020?"

Watts >> "No, not necessarily. What it was is..."

Schaber >> "That includes the first Month of January 2021?"

Watts >> "Yes. So, it does include January also. And so, the deposit was sent to the IRS to stop penalty and interest from collecting from that point forward. We still are having a hard time getting a clear answer from the IRS -- or anybody that will really give us an answer -- as to what the next steps are. They just keep saying, 'wait till you get your letter', but we'd like to be a little more proactive than that. So, we are still working on that. The State Department of Taxation has been very helpful and has sent us back the check of the money that we had overpaid them."

Schaber >> "So, you got a check for the overpayment of about \$184,000 in January, as well, or from what I read in the emails that won't be a credit be refunded until for another three months."

Watts >> "Yes, that request is in. I think it's like \$184,000. So, the check we received was \$1.1 million and I think that the other request that's in right now is \$184,000. So, that's where we stand right now. We have received the check for 2020 and I've been in contact with the Deputy Tax Commissioner as to the refund of the other one. He's just waiting to process it now."

Schaber >> "I have a whole bunch else, but I'll shut up for now."

Hutchison >> "As far as December, I don't know if anybody's aware, my daughter caught COVID of course right before Christmas. I caught COVID at Christmas through the New Year, until I think I came back January 6th. So that kind of threw our office in a bind. We didn't find out and did not know that there was an error in the taxes until December... Or I'm sorry... in December, we found out about the \$8,000. We did not find out about the \$1.28 million until January when they did the 942s. And that was Perry and our union person -- that's in our office, a payroll specialist. So as soon as we found out, we were going to have a meeting with the Mayor, but he was off on COVID also. So, we weren't able to have a meeting with the Mayor. So, when somebody brought it up in a Council meeting -- just like this -- we answered what we could, trying to be respectful to the Mayor to get back to him before we came in front of a meeting. However, the next meeting we were ready and prepared, and we answered questions... still trying to you know get to meet with the Mayor to give him the respect that he deserved. Then, we finally got to have a meeting after the second Council meeting -- of course this is after the payment had been made -- and then this is our third Council meeting."

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“So, I want to set the let the record straight, because I wanted to come out from the beginning and tell everybody I made the mistake. Everybody knows I made the mistake at City Hall. All the Council Members know I <emphasis> made the mistake. I've never denied making a mistake. I've never got to officially apologize to the citizens of Marion, and I am very sorry. I'd never have done this on purpose. It was a fluke accident that I hit a “trash can” instead of an “edit” button and that's what caused all of this... starting with the \$8,000 mistake on June 26 when I actually took somebody out of the payroll that had been put into the payroll somehow whether it be through the system or what. We can't find the audit trail on that. So, when I did a correction trying to save the City of Marion money, I actually deleted this button/batch -- whatever you want to call it -- by accident having never been officially shown or cross-trained how to do payroll. So, for the citizens of Marion that are listening, I do apologize. I am very sorry for what I did, but I had no clue that that mistake was ever even made until January. So, we have since paid that. And we have since been reimbursed. And I pretty much think that that's the gist of it.”

Meade >> “One question for Mrs. Hutchison and then one for Mr. Watts. With the \$1.28 million, when did you -- or I guess -- when did someone else, to your knowledge, make Auditor Landon aware of the \$1.28 million mistake?”

Hutchison >> “January 29th or February 1st ... somewhere around in there. And then he said immediately trying to get somebody from the state to talk to... somebody from the federal to talk to. They're all still working at home because of COVID. We couldn't get a hold of anybody. We tried and tried and tried. I sent emails. I did -- I bet you 10 phone calls. So, we did our best to try to talk to somebody to figure out what we needed to do to fix the problem.”

Meade >> “There seems like there's going to be a fine associated with this \$1.28 million. Do we know when that fine will come, how much it'll be, and if not, do we have a general idea of what to expect and dollar amount and then where does that fine come out of?”

Watts >> “I don't -- we don't have an idea or a direct idea of what that fine will be. But I can tell you anytime that you make a mistake with the IRS, you are penalized heavily. We have found some references that this mistake has happened to other communities when we reached out to the state auditor's office... and for whatever reason. I don't know if this... if the way ours happened lined up with the way theirs happened, but they were attempting to make payments and they didn't get to the IRS and the IRS waived the fee. I don't know if you can depend on that to be there, but I would say that the expense -- if they were not waived -- will be nothing short of outrageous. And where it would come from? I would assume that it would come from the city coffers and it would have to be a request to Council for an additional appropriation.

Meade >> “Because I know just like the difference between five and ten percent of a fine is you talking about like a difference of sixty thousand dollars right on it's face. So, that's why...”

Watts >> “Yeah and you're talking about \$1.2 million. And you know I mean if the IRS thinks that you did it on purpose, it is much worse than if you just made a mistake.”

Meade >> “I'm just trying to get a general idea of what's coming down the pike.”

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Thomas >> "... Who made the okay for the \$1.28 million to be paid the second time? Who made that decision?"

Watts >> "I would say that it was, like anything else, a group decision in the Auditor's Office. But the bottom line would be, it was the Auditor that made the final decision since he's the elected official. But at the time, it was a group decision.

Thomas >> "What fund did that come out of?"

Watts >> "It came out of the payroll accounts that have the withholding. You know, I don't have the exact numbers at the top of my head."

Thomas >> "I guess my concern here is those decisions are being made there without at least going to the Administration or the chairman of the Finance Committee to explain to them what was going on and what needed to be done rather than to just... the Auditor's Office just to make the decision that we're going to pay 1.28 million dollars."

Watts >> "Yes, and I think it'll come down to the State Auditor making a decision as to if that was an allowable decision or not. I mean, outside of that, I can't tell you... I believe that the advice I gave him was accurate. But, I mean, that's just my opinion... that it's not an opinion that actually counts when it comes to the State Auditor."

Schertzer >> "In kind of a follow-up to Mr. Thomas's question, I want to be very clear that it would not have been my decision as Mayor for where that money should have come from. I guess my biggest issue, as I've already explained, is just being informed of the situation. And again, that informing the Mayor conversation did take place on March the 9th when we all met together. I do believe, as I've already publicly stated, that it should have gone to Council, but that's my belief as a former Council member and a former member and former chairman of the Finance Committee. But again like Mr. Watts said let's let the State Auditor make that determination. That may be a question that needs to be asked of the state Auditor and the current audit that is taking place now."

Schneider >> "... I want to commend our former Deputy Auditor, Cathy Chaffin, and also Deputy Auditor, Marden Watts, for working together. Despite some accusations of partisanship, it would appear to me that there is a good working relationship between those two people and that's the way it should be because at the end of the day there are no enemies in a better Marion. We're all trying to make Marion a better place for our constituents and citizens and that's why we all have this job and we all do this. Mistakes were made. We know that. My question is, and maybe it's more of a comment, but what does this do to the City's bond rating? I know if our money dips below a certain amount in the bank and for a while there we were more than \$1.28 million, I mean if I'm understanding this correctly... maybe I'm not understanding this... but it sounds like at one point in time, we had almost \$2.6 million less dollars on hand than what we should have had because we had to pay money to the IRS that accidentally got double paid to the state or something along those lines. \$1.28 million dollar mistake. But if our money's dipped below a certain level, does that affect our bond rating? Does that affect our ability in the future to get loans, to get capital, to

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better our city? Because if that's the case, that's a huge problem on top of other mistakes that may have happened. Kudos to Miss Hutchinson for speaking up and owning the mistake because that takes a lot to own a \$1.28 million mistake. But our bond rating, that's kind of my concern. I guess and I don't know if anyone can answer that?"

Hutchison >> "... Anyways, I wanted to say... you would ask what we're going to pay the money out of *if* <emphasis> we get any fines, *if* <emphasis> we get any penalties, and *if* <emphasis> we get any fees. I think that's kind of early to talk about, because I don't know if there's going to be any, especially with COVID, with it being a mistake, with them being a paper trail, that it all was a full mistake. That we did pay exactly what we're supposed to pay. We just paid it to the wrong agency. I think that's premature to talk about that kind of stuff, because you can throw out... It could be a \$5 fine. It could be \$200,000 fine. I don't know, but we DID <emphasis> pay -- since you're asking that question -- \$22,500 out of the General Fund for when the previous administration paid the 2018 returns when they filed those late. So, I do know that that late filing fee of \$22,500 -- and this is an exact amount that we did pay in fines and penalties for filing those late. So, I'm taking it if there is some kind of final penalty, it would come out of that. And I wanted to answer that on your behalf."

"The other thing was is... there is a better relationship between Marden Watts and Cathy Chaffin. They have a history. They went to school together. They've gotten along. For some reason -- I don't understand it -- I seem to have not as good of a relationship with her. I don't know if it's because my brother ran for Mayor last time and didn't win. He was very close. I was very proud of him for that. But it has been brought to my attention and it's been mentioned in council meetings that I am Kevin Norris's sister, so there is a lot of tension. I've worked for the city for 26 years. I've got my own name and I don't understand why there's such a tension with me being Kevin Norris's sister, instead of being Kimberly Hutchison, like it should be. And I've got a reputation that I'm very proud of. Yes, I made a very dire mistake, but if you go back through my history as an employee, I've never been written up, I've never had any kind of discipline whatsoever in 26 years with the city. So, I think that should stand for something."

"We had asked for help with the payroll and we were denied adequate help at the time, because they said they weren't going to get the payroll out on time, if they did it. The employees of the city -- over 300 employees -- would not get paid on payday and I would hate to see or be on the other end of THAT <emphasis> phone call from the 300 individuals that were not happy when their debtors are calling them wondering where their funds are at. So, this in the turn, is something that I just wanted to bring out and let everybody know that that is a fact so, in my opinion."

Schaber >> "I don't have anything polite to say right now, because that was a lot after a moment of humility. So, I will defer to someone else."

Schertzer >> "I think that one of the original questions was by Mr. Council President Todd Schneider about what does this do to our bond rating. I think it would have been more dire if we had been in the process of going after new bonds or refinancing our bonds, but I am by no means an expert on that. We just refinanced our bonds last fall and we got a very good bond rating. I certainly hope that this won't impact our future bond rating as a result. I think this is getting

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resolved and I appreciate everybody's hard work and what Marden Watts has said here this evening as well as Kimberly Hutchison -- *up until a point* <emphasis>.”

“I want to be very clear on when we -- in my administration -- offered help [*clarified: on Monday*] with this particular payroll that set all this in motion. The Auditor politely said no thank you, we've got it, and okay fine. And then on Wednesday morning, the Auditor came back and said yeah, we'd like your help now. Keep in mind, *Wednesday morning* <emphasis> is when they asked for help. So, I pulled my team together that has some experience here and I said can we get this done in time? And we said to the Auditor, there's no guarantee it will be done right and on time from Wednesday morning -- because keep in mind -- that's less than 24 hours after the payrolls would have been posted in everybody's accounts. That is a *key and crucial point* <emphasis> that everybody needs to understand. Again, the Auditor very politely said okay, I got it... we're moving forward... we can't wait. And I understand that decision, but apparently something -- as we're now finding out -- was done wrong which has led us to this point where we are now.”

Chaffin >> “I do not understand where this is coming from Miss Hutchison. First of all, she does not ask me any questions and, when she did, I have answered every single question she has asked. I have answered politely.”

“I did not go to school with Mr. Watts. I am a 1984 graduate from Marion Harding High School. I don't know where Mr. Watts went to school and he is older than me. So, we did not go to high school together. So, I'm not sure where that comes from.”

“I don't care whose brother is whose. I don't care whose sister is whose. That doesn't matter to me. My brother was a former council member for 22 years, so what? That has nothing to do with me. He was a good council member, just like many before him and many after him. So that has nothing to do with anything.”

“If Miss Hutchison would come and ask questions and when I tell her the answer *three times* <emphasis> in a meeting of how to do something and *pay attention* <emphasis> to it, maybe, she wouldn't get any hostility. But on my third time answering a question in a January meeting right after I come back to work under this administration for Mayor Schertzer, I was in that meeting and Mr. Watts was there. Mr. Payne was there. Auditor Landon and Kimberly. And she asked me *three* <emphasis> times when do you post journals? I said, ‘every day’. I was asked, again, and I said, ‘every day’. And I was asked a *third* <emphasis> time and I said, ‘I'm not sure I'm understanding but EVERY SINGLE DAY’ <emphasis> and that was the end of that discussion.”

“Now further on the payroll, yes, we offered on Monday because we knew no one was trained in that office, not at that time, to do that payroll and we were concerned. When I received an email on *Tuesday* <emphasis> that payroll paychecks were done, there was no way... no way that it was done accurately. There was no way that that was audited. In fact, in the meeting of March the 9th, I asked Miss Hutchison about did she audit the timecards compared to the system and she said no she didn't know she should do that. Well, that's an Auditor's job.”

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“So, if there is a little bit of hostility, I do not like the false allegations. I do not like her it's -- putting all of this out here after such a wonderful discussion. I would be willing to work with anyone and I have done so... ever since I come back to work for the City any and each and every time. There's a Payroll Clerk who asks me questions still and that's okay. There is the Accounts Payable Clerk. She came to me with the revenue she didn't know what to do with, but I told her where we did it. But she should check with her superiors, if they had a different way, they want to do this. I have consistently done that, and I will continue to do that because I have more integrity than what Miss Hutchison does.”

Meade >> “I just want to bring up about the \$22,000. If it's in 2018, half this Council -- just about half -- wasn't even here. And so, if there's a \$22,000 fine, it doesn't help the City. And I think that every Council Member would say that. But it keeps getting brought up over and over again as a ‘hey look, I know what we did was bad, but look at look at this thing over here’, when half the Council couldn't even do anything about it because we weren't even elected yet. And so, I think that it's kind of -- I don't know the word -- it's a deflection, I think. Just to be like to every time this gets brought up to say like ‘yeah this is bad but look at what they did.’ They're not in office anymore. They're not elected. They're not in an elected office anymore, so it's pointless to keep bringing it up and it just takes away from the point of being like ‘I'm asking for forgiveness’ then to just turn around and say ‘oh, but look what they did’. So, I think it really just takes away from -- as Schaber said -- the humility of it.”

Ratliff >> “If I could ask a couple questions. I know I had heard a timeline that Miss Hutchison had talked about. I know she had said that they learned about the mistake at the very end of January and that she had said that they wanted to meet with the Mayor, but the Mayor was out with COVID. Can I get the date that the second payment was made to the IRS, the actual correct payment? Can somebody, because I've asked a lot of times at a lot of meetings now. Can I get the date that that was made?”

Hutchison >> “Yeah. I've been trying to talk for a while... nobody's calling me. But anyways, we made the payment on February the 10th.”

Ratliff >> “February the 10th. And Mr. Mayor, when were you out with COVID?”

Schertzer >> “... I'm going to say that it was, I think, February 20th to March 2nd.”

Ratliff >> “So. I know that the wording was Mrs. Hutchison wanted to ‘set the record straight.’ The payment was made on the 10th...”

Hutchison >> “Yes.”

Ratliff >> “The Mayor was not out until the 20th...”

Hutchison >> “Okay, but we wanted to talk to him before we came out <inaudible> and talk to anybody else...”

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Ratliff >> “So, why could you not have talked to him from the day you found it out until the day that you paid it -- or -- from the day that you paid it until the day that he was out, because we're now looking at 20 days that you could have talked to him.”

Hutchison >> “Well, I don't know the exact reason why we didn't have a meeting. I just know that it was our consensus in the Auditor's Office, who takes care of the money, to pay the amount that we owed them... because it was the amount that owed, and we made that payment to stop fines, penalties, and interest and all that. At that time, it was important to stop that.”

Ratliff >> “Your words were that you ‘wanted to talk to the Mayor’...”

Hutchison >> “Yeah, I just wanted to respond to Kai Mead that the \$22,500 keeps getting brought up because it was paid this year -- or I'm sorry-- in 2020. That's why we keep bringing that up.”

Daniels >> “Why does that matter if it was spent?”

Hutchison >> “Because those are actual fines and penalties that we have paid. Everybody keeps throwing out about what we're *going* <emphasis> to pay and we don't even have a bill for that yet. We don't even know what that is.”

Meade >> “Mr. Chairman, I feel like if there's something...”

Ratliff >> “I just want to reiterate the point. Her words were ‘we wanted to talk to the Mayor.’ They didn't want to talk to the Mayor. If they wanted to talk to the Mayor, they would have talked to the Mayor. There was a 20-day window that they could have talked to the Mayor. They didn't talk to the Mayor, they didn't talk to the Law Director, and they didn't talk to Council. So, you know, I wish we would stop with the charade of, you know, ‘we really wanted to work with everybody... we really wanted to you know have an inclusive approach to this’ because they didn't.”

“And my other questions, if I could, was in the meeting that you guys eventually had, was any other issues brought up. Like was Lowe's talked about? Was the electricity talked about? Because I know you know Lowe's was blamed and Ohio Edison was blamed. The post office was blamed and COVID was blamed and the bank was blamed. I felt good for a minute, like President Schneider said, that there was progress being made when Kimberly Hutchison spoke one of the times. And it was like one step forward and two steps back when she spoke again. So, I wanted to ask the Mayor, was any of the other issues talked about and was it really everybody else's fault?”

Schertzer >> “Yes, those issues were discussed. I know Service Director Chaffin has more knowledge on how those bills had been previously paid and maybe what the issue is with those particular bills at Lowe's and Ohio Edison. So, I'm going to defer to her on that one.”

Chaffin >> “Yes, I'm going to go through a couple of them. Back in September 4th of 2020, Director Caryer had sent an email to Mr. Landon in reference to the Lowe's account. We had employees out there to buy supplies for City Hall and they were denied, stating that our line of

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credit had been cut off and that they would not be able to make those purchases. That email was sent and there was a concern, as well as the Safety Director's office receiving a notice that the City of Marion had two check numbers that were returned and not paid. So, there was one check that was returned <by the bank> to Lowe's for \$1,493.60 <and> a second check that was received <with> a notice on <it> for a collection agency of \$301.77 that was previously credited to the account on August the 12th. And Miss Hutchison said that these were stacked up on somebody's shelf, because the person who handled applying the payments at Lowe's here in Marion was no longer there. And in fact, they were not. They were cashed. And the <marks> on the bottom of the checks -- and everybody knows what those are I believe. They're little squiggles across the bottom that have some numbers and it'll reference your check number, it's your routing, your bank account number -- those were not readable on the checks. And they were sent out to the vendors. The vendors attempted to cash them, as they should, and they were returned and so therefore our line of credit was cut off. Consistently with Ohio Edison, the same issue there. In fact, there was a case opened up on that one. The City of Marion for several months -- and I could count if I took a moment -- but it appears as if it is approximately five to six months where checks were returned. The City of Marion's electric service was going to be disconnected, because of this same issue with the checks being sent out... routing and checking account numbers not being able to be read. Mr. Watts was made aware of that. He corrected the issue and that was last dealt with on February 19th of 2021.

“There was one other issue that Mr. Watts had spoke of where the power company did, in fact, put the electric service for the new terminal building into MARMET's name. They were sending MARMET the bill. That bill did not get paid. Mr. Watts worked with our Safety Director's Administrative Assistant... I worked with her and got that corrected immediately. I really appreciate him doing that. So those are the issues. So yes, we have faced several, several issues on those... Lowes with our line of credit getting cut off and with Ohio Edison with our City Hall bills and other bills. Our electric was going to be disconnected because of these check's routing numbers and account numbers not being readable across the bottom of the check. They were returned by the banks and they should have been audited prior to sending out. That was the normal procedure. That's changed. That's totally up to the new administration.”

“Also, one other comment on the \$22,500... if that was a mistake made under my tenure and when I was in the Auditor's Office, I will fully take responsibility for that and I will apologize. Imagine though if \$22 -- and that is under appeal at this time. Mr. Russell had assisted Mr. Landon in filing the appeal and attempting to have that waived and that is still under review with the IRS. Now, if you have \$22,500 for paper returns, what is the penalty for not paying \$1.28 million when you're supposed to?”

Hutchison >> “As far as the Lowes goes, I actually gave her records request and she can see on there all of the notes that I had made that it was actually from -- I talked to Brian -- they were not supposed to cash the checks because they kept it on the lady's desk that was supposed to be in that position that took another position. They kept putting them in a box and they never cashed them until, apparently, I brought up the information to him that there was money there and I told him to shred those checks and I would get a hold of Atlanta Georgia. We changed the person that we actually even paid the payment to, sent that to Atlanta Georgia. I did even give her in her records

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request stop payments that I sent through to Fahey Bank. Those are not guaranteed when you do a stop payment through a bank. They did get cashed, however by that time we'd owed so much money because of the backup and the checks -- that they -- what I did was just take that off as a credit on other bills and I got them all paid. They're all to a zero balance. It took me about three to four months to get that accomplished. They said that this has happened in the past at Lowe's, so we are not the first time that that's ever happened.”

“The other thing is I just want to reiterate that see we did ask for help with the payroll on Monday Cathy Chaffin got that and the mayor said Wednesday, so there was a discrepancy there. I wanted to bring that out also so anyways and again as far as the constituents and stuff I do apologize for that \$1.28 million. I've... I feel terrible about it, but I do think that we're going down a long road here of throwing rocks. I don't like doing that. I just want to get the job done and get along and that's the way I love to do business, but I can't do that it seems like. So that's all I have to say.”

Daniels >> “Let me make a general observation... just being on the, I guess, the outside looking in, if I really need someone's help I'm probably not going to come to a public meeting and criticize them every time I get the microphone and point out every one of their mistakes. So, you guys can take that for what it's worth, but you work on the same floor and maybe anyone having personal issues should just go find the broom closet and talk it out.”

New Business:

Item 1. tempORD 2021-25: ORDINANCE AUTHORIZING THE CITY AUDITOR TO ENTER INTO CONTRACT WITH JULIAN AND GRUBE FOR THE GAAP (GASB) FINANCIAL STATEMENTS AND DECLARING AN EMERGENCY (Landon)

Deputy Auditor Watts explained that in the past we had a 3-year agreement with the State of Ohio to do our CAFR (Comprehensive Annual Finance Report), which is our financial records. The state said that they would not be able to complete them in the time that is required, outside of getting an extension. They suggested that if the City wanted them done without getting the extension, we would have to get an outside firm and that the state would not hold us to the contract.

The State Auditor's Office provided names of three firms. One of the companies said that they were too busy right now, because of the same reason they couldn't do it. The other company didn't respond to us. Julian and Grube said that they could do it at about the same price that the State Auditors would do it. They have an old contract on hand, but this would be a new contract to get it completed in the time period that is required by law without an extension. They also contacted the State of Ohio about an extension and were told that it is too early to ask for an extension. Auditor Landon wanted to bring it to Council to see which direction the city would like to go. The Auditor's Office is seeking guidance as to whether Council wants to enter into a new contract with Julian and Grube or wait until the state has time to do it with an approved extension.

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In response to Schaber, Watts stated that he does not see any harm in waiting a little longer and having the State do it with an extension. He believes that an extension would most likely be granted, especially because the state is doing it. Schaber stated that he had spoken with the person who awards that extension and he said that it should not be an issue. He felt confident leaving that conversation that the state would make every effort to do the CAFR for the City without going to someone else. He stated that he believes that the timing for these two separate issues is terrible. He would not propose to send to Council, or even second a motion. Mr. Meade concurred. Meade had also talked with State Auditor and felt that they were going to try to get it done on the original timeline, but they will have to wait and see if that actually happens or not. He agreed that the issue of timing mixed with the conversation that he had with the person who grants extensions makes him think that it is probably the best if the State just handles this. He will not be making a motion to send this on to council either.

Thomas stated that in previous years they had always had the State do this. Why would they want to change to a private company now? Daniels said that the State is having an issue doing these in a timely manner, so they are willing to back out of our contract and allow the City to go with a private vendor so that we will meet a deadline that will exist without an extension from the State. When asked if there was a penalty for not meeting the deadline, Watts was unsure. He does not believe that there is a financial penalty. It is written penalty or something like you are out of certification (may not be the correct term).

Watts confirmed to Swanger that an audit is required by law. She believes that if it is a requirement, that they should have the State do it.

Schaber said that from his conversation with staff from the State Auditor's Office, he understood that the penalty may be that the office is not eligible for certain awards or designations granted by the State.

Lacking a motion, the proposed legislation dies in committee.

Item 2. Auditors Reports:

- Monthly Performance Against Budget Report
- Monthly Credit Card Statement
- 2020 Performance Against Budget Report (Year End)

No comments on this topic. No committee action required.

With no other business, Daniels adjourned the meeting at 7:45 PM.

Chairman Daniels

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