



Audit/Finance Committee meeting

Wednesday, December 1st, 2021- 5:00 PM

via Zoom

MINUTES

Committee members present: Alfred Mae Drakeford (Chairman), Grady Brown, Sen. Kevin Johnson, Jim McCain, Vivian McGhaney, Dwight Stewart, Chuck Wilson, Earl Wilson

Committee members not present: Julian Burns, Rep. David Weeks

Guests: none

Staff present: Christopher McKinney, Areatha Clark, Rachel Katorkas, Brandy Del Rio, Kourtney Page

1. **Welcome and call to order:** Chairman Alfred Mae Drakeford called the meeting to order at 5:06 PM.
2. **Invocation and Pledge of Allegiance:** Alfred Mae Drakeford provided the Invocation, followed by the Pledge of Allegiance.
3. **Determination of Quorum:** Chairman Drakeford verified that a quorum was present.
4. **Adoption of Previous Meeting Minutes:** Chairman Drakeford entertained a motion to approve the minutes from the previous minutes from September 29, 2021. A motion was made by Chuck Wilson and seconded by Earl Wilson. All present were in favor and the motion passed motion unanimously.
5. **Adoption of Agenda:** Chairman Drakeford entertained a motion to approve the agenda. A motion was made by Chuck Wilson and seconded by Jim McCain. All present were in favor and the motion passed unanimously.
6. **Review on vehicle lease situation and staff recommendations:** Rachel Katorkas provided a report on vehicles. She stated that five vehicles are being leased from Enterprise and two vehicles are owned by the Council of Governments for use by staff. Because of the pandemic, vehicles are not being used. When the vehicles are not being used, the COG has to charge the costs to the indirect cost pool, which drives up our indirect cost rate. The primary issue, however, is that the COG is paying for vehicles that are not being used. To be good stewards, staff recommends purchasing all five at a total cost of \$48,933.81. The agency will keep the two

Ford Escapes and sell the three Elantras. Kelley Blue Book values the three Elantras at a combined amount of just over \$66,000. If sold, this would cover the cost of purchase of all five vehicles and add some money to fund balance. Ms. Katorkas opened the floor for questions.

Chairman Drakeford asked if in the event of the sale of those vehicles, the employees would have to drive their personal vehicles and be reimbursed for the cost of travel. She asked about the process of alleviating the costs.

Ms. Katorkas explained that with the sale of the three vehicles, the COG would still own four in total. If these vehicles are available, the staff can use them. If they use their personal vehicles the staff can be reimbursed. Mr. McKinney also provided clarification that because of the pandemic the state does allow for certain events to be held virtually. This helps with the cost for the agency. He elaborated that in the future, if things change, the agency will come before the committee again to propose buying another vehicle.

Ms. McGhaney posed a question about where the vehicles are being sold and where the revenue would be placed in the budget. Ms. Katorkas said at the present moment where they would be sold is not known, but the resale value was increasing, and the net proceeds would increase the fund balance. Chairman Drakeford then rephrased what Ms. Katorkas stated, and Ms. Katorkas confirmed.

Mr. McKinney provided further clarification that the agency would pull funds from reserves to purchase the vehicles and then the resale funds would be replenish those funds spent on the purchase.

Ms. McGhaney asked for clarification on buying two extra vehicles. Chairman Drakeford and Ms. Katorkas clarified that the agency would not be purchasing two additional vehicles, but instead buying out the leases on the 5 vehicles that the COG already leases.

The motion to “request funds from reserves to pay off lease and approval to sell 3 Elantras and keep 2 Escapes” was voted on and approved by all present.

- 7. Discussion on Need for Tighter Controls:** Mr. McKinney began the discussion on internal controls. Mr. McKinney reflected on past practices with the agency. He asked for any clarification from the committee on concerns regarding current practices. He commented that what is in place has been effective and has been approved by auditors.

Mr. Jim McCain expressed frustration with the current practice of needing two signatures for checks. Mr. Chuck Wilson also expressed confusion over the need for two signatures on checks. Ms. Vivian McGhaney commented that the practice of obtaining two signatures for a check was simply a professional practice and nothing personal within the committee.

Mr. McKinney reframed the question to clarify that his goal is for staff to be able to better assess and determine an appropriate mechanism that would address the committee’s true concerns. He also commented that of the eight member governments, only three require two signatures. Mr. McKinney then asked for Rachel Katorkas to provide the review of current accounting practices.
- 8. Review of Current Accounting Practices:** Rachel Katorkas provided a report on current accounting practices. All purchases go through multiple layers for approval and there is a purchase order system in place. The purchase request is given to a supervisor and approved prior to purchase. For certain levels of expenses, the purchase request is then given to the Executive Director for approval. All requisitions are then reviewed by Ms. Katorkas or the Finance Manager for the final approval. Then, the purchase is made. When invoices are received, they are reviewed by Accounts Payable staff who then gets the check ready for

purchase. This is reviewed by Ms. Katorkas or the Finance Manager. After this process, the checks are printed and signed. The majority of our expenses are grant-related, so they have to meet the requirements of the applicable grant. And, of course, we also have the Procurement Team, who's duties are outlined in our Procurement Policy. They review the whole process from beginning to end for the larger purchases, anything over \$10,000. They get the Requests for Proposals/Bids and provide feedback. And then prior to the contract signing, they review the whole procurement record to ensure it complies with our policies and they make a recommendation to the Executive Director. The Procurement Team is made up of at least one staff member from each department, which are not director-level staff.

9. Old business:

- a. *Clarification on check signing policy:* Mr. Grady Brown commented that any government spending should require two signatures. Ms. McGhaney provided comment in support of requiring two signatures. Jim McCain commented on the inconvenience of requiring two signatures and felt that it was unnecessary in light of the safeguards in place. Mr. McCain made the motion to revert to requiring only one signature, with a second from Chuck Wilson. Voting in favor: Dwight Stewart, Jim McCain, Chuck Wilson, Earl Wilson, and Alfred Mae Drakeford. Not in favor: Grady Brown, Vivian McGhaney. The motion passed.
- b. *Spending limit:* Mr. McCain asked for clarification regarding the spending limit policy that was discussed at the last meeting. Ms. Katorkas stated that the policy voted on just concerned the use of unrestricted funds; essentially nothing directly grant-related. There isn't a line-item in the budget for discretionary funds, everything is categorized. Mr. Brown asked about the method for deciding how much is charged to localities for projects. Mr. McKinney stated that it is based on costs for staff time involved in the project. Ms. McGhaney asked if the \$15,000 spending limit would restart with each purchase. Other committee members voiced that that was their understanding. Ms. Katorkas reminded the committee of the thorough review process by staff for purchases over \$10,000. Ms. Katorkas noted to the committee that she could include more detailed information in the financial report presented to the board at each board meeting for greater transparency. She also noted that the Executive Director doesn't have access to the check stock nor can he write any checks himself.
The committee then asked that Ms. Katorkas provide the same briefing on the accounting practices at the next board meeting before the board votes on these two motions.

- 10. Adjourn:** A motion was made by Chuck Wilson to adjourn the meeting. Dwight Stewart seconded this motion. Motion was passed unanimously

Respectfully Submitted,



Rachel Katorkas

Chief, Finance Department