

**City Council Work Session
January 24, 2022**

The City Council of the City of Elizabeth City met in work session on Monday, January 24, 2022 in Council Chambers, located on the 2nd floor of the Municipal Administration Building, 306 E. Colonial Avenue, Elizabeth City, NC.

MEMBERS PRESENT: Mayor Bettie Parker
Mayor Pro Tem Johnnie Walton
Councilman Billy Caudle
Councilman Michael Brooks (*Arrived at 5:38 p.m.*)
Councilwoman Jeannie Young
Councilman Chris Ruffieux

MEMBERS ABSENT: Councilman Darius Horton
Councilman Kem Spence

OTHERS PRESENT: Interim City Manager Ralph Clark
City Attorney Bill Morgan
Interim Chief of Police Larry James
Electric Superintendent Jason Value
Human Resources Director Montique McClary
Public Utilities Director Dwan Bell
Parks and Recreation Director Sean Clark
Grants Administrator Jon Hawley
Community Development Director Kellen Long
Fire Chief Chris Carver
ECDI Director Debbie Malenfant
IT Director Matthew Simpson
IT Systems Analyst Pedro Holley II
City Clerk April Onley
Deputy City Clerk Doris Walton

Mayor Parker called the Work Session to order at 5:30 p.m. The mayor led the Council in the invocation, and everyone joined for the Pledge of Allegiance.

1. Agenda Adjustments and Approval:

Mayor Parker asked the Council's pleasure on the agenda, as presented.

Motion was made by Councilman Billy Caudle, seconded by Councilwoman Jeannie Young to approve the agenda as presented. Those voting in favor of the motion were: Ruffieux, Brooks, Walton, Young and Caudle, Against: None. Motion carried.

2. Statement of Disclosure:

The City Clerk read the statement of disclosure. No conflict of interests regarding items on the presented agenda were made.

3. Presentation – Greg W. Isley Firm Overview of City Financials

Mayor Parker recognized Interim Manager Clark for his comments. Mr. Clark introduced Greg Isley of the Greg Isley Firm and explained that he would be using this evening's work session to provide an update on the City's financial situation. Mr. Isley introduced himself to the Council and gave a brief background on his work with assisting communities with their auditing issues. He said he was often referred into opportunities to help rural entities by the LGC and the League of Municipalities. Rural areas often had a hard time because they could not find qualified people to hire, particularly in the finance field. He explained that Assistant Finance Director Alicia Steward had given him the initial call after being given his name from Perry James with the League of Municipalities. He said he

believed that the City's accounting department was still operating in "1984 mode" and past leadership had not helped get to a more efficient perspective. Mr. Isley noted that he'd sat down for a conversation with IT Director Simpson earlier today and discussed the IT software. He said when he originally came in, the City had not had reconciliation done since August of 2020. The issue seemed to be that the reconciliations were being done outside of our software and being done in an Excel spreadsheet, so there were things being missed by human error. He pointed out that we had deposits that were never reported on the general ledger because it was not being properly integrated. He said her believed a big part of the problem is that the staff we have now each does a small part of a big picture, and none of them have ever actually seen the big picture so it's hard for them to pick up on the other issues. Mr. Isley said the issues are fixed and finished through June 30, 2021 for the main operating account. The flex account will likely be finished in the next week or two. After that, we should be able to analyze our trial balances to focus on the coming audit. He said that Ms. Steward and Ms. Eure were both very good people, but they had not been exposed to this before, so moving them forward in the organization would be setting them up to fail. He said we are operating under the SALY principle, which meant "same as last year." He said that without a doubt, the software module needed to be updated and integrated, which would cut back on the manual input and error. Mr. Isley noted that what we're facing right now is not unique across the state, as many counties are struggling to find qualified people and good auditing firms. He reiterated that many towns were having problems finding quality auditing firms, and he opined that the auditing firm we had last used was not a good firm for us.

Mr. Isley said he wanted to inform the Council of the things that they needed to know. He said what they needed to hear wasn't always what they wanted to hear, but he was here to help them make good business decisions. He stressed again that Elizabeth City was not the only town experiencing these problems and the strain for finance officers was being felt across the state. He noted that many areas were finding themselves having to outsource their finance departments or financials due to these problems.

Councilman Ruffieux asked if Mr. Isley or the firm had worked with IT Director Simpson to reconcile the bank statements. Mr. Isley said they'd worked with Ms. Steward and Ms. Eure. Councilman Ruffieux asked if they'd been reconciled via software or spreadsheets. Mr. Isley replied that they'd been done through spreadsheets, which was very time-consuming and they'd found many instances where things had been entered incorrectly. He said they were working with Tyler Encode and the LGC to find a software that was affordable to help the City find a workable module. GS-159 governs the finance departments and how they should operate and he noted that many departments across the state were failing terribly; software allows the pre-audit process to be done electronically and removes much of the room for human error.

Councilwoman Young concurred that we needed to do something to get our financials straight because after everything we'd received from the LGC and our audit being late, we were definitely in a crunch. She asked if it was fair to say that it could affect our ability to borrow money. Mr. Isley agreed that it did. Councilwoman Young said she was not aware that we were doing so many things manually, and felt that as leaders, we needed to do something to correct that. Mr. Isley said software would correct that, and added that he was approaching Tyler Encode as they'd come back as the most user-friendly and affordable. Councilwoman Young said affordability was important, but this was a dire problem and we needed to fix it regardless.

Councilman Caudle asked if anything was required of the Council at this time to move forward. He wanted to know how soon could we do this. Mr. isley said it was a bit premature at this point as he didn't have finalized costs just yet. He wanted to get Tyler reps in a room with IT personnel and Ms. Steward and hammer out the details before the Council came to a final vote. He reminded the Council that we're already using the Tyler product for our utility billing, which should allow some ease of integration.

Mayor Pro Tem Walton apologized if his comments seemed personal or berating, but he felt someone needed to ask the hard questions. He asked how many hours Mr. Isley had put in with the City so far. Mr. Isley replied that probably about 600 thus far. Mayor Pro

Tem Walton asked if that came out to about \$60,000 in fees. Ms. Isley replied that was correct. Mayor Pro Tem Walton asked if he felt that was a lot for only the little bit he's come up with so far. He said he was concerned that our employees did not know our software, other than the IT Director. Mr. Isley said they only knew bits and pieces of the software since they didn't have a broad enough accounting background. He said they also did not know accounting verbiage, so they didn't always understand what his team was asking for and didn't know how to find it. He said he was not knocking the employees at all, they just didn't know what to do right now. Mayor Pro Tem Walton asked how many more hours did he think he might need to be here, noting that he'd previously been told 40 and he didn't find that to be correct. Mr. Isley said no, he thought 40 was not correct and it would be more. Mayor Pro Tem Walton asked why it was taking so long? He said he felt there should have been a laundry list of things happening as soon as they walked in the building. Mr. Isley replied that there was. He noted that the staff didn't know where to find a lot of the information their team required. He reiterated that Ms. Eure and Ms. Steward worked very hard, but Ms. Steward had come from the IT Department and didn't know about accounting when she was thrown into it. Mayor Pro Tem said she knew about software though. Mr. Isley said that's true, but that didn't help her know why things were being done on the accounting and financial side. The issue is having the broad accounting experience and background, particularly with governmental accounting.

Mr. Isley noted that when we moved over to Tyler, we would not need to pay for hosting services. Mayor Pro Tem Walton said that we were told we would need that. Mr. Isley said as we operate at this time, we have to pay for hosting, but if we were to move over, we could get away from paying for hosting. Mayor Pro Tem Walton said the Council had been given a document showing an upgrade in their workforce, which gave them an uplift and they didn't even know what the problems were and he felt that was premature. Mr. Isley said he believed we will eventually become much more efficient.

Councilwoman Young said her understanding that our staff had individual jobs and didn't know all the problems. She said some of them had come forward and said they needed help because they did not have the knowledge or training to handle this on their own. Mr. Isley said that was true and we should be thankful that they did that because there are some towns that have lost their charter because no one spoke up when they needed to. Councilwoman Young said she felt we were moving in the right direction and we would have a positive outcome.

Councilman Caudle asked if there was a timeline for how long to get us where we needed to be. Mr. Isley said the reconciliations were number one, then the trial balance, then the audit statements, then the audits themselves; those were the first items to get us off the checklist with the LGC. Councilman Caudle asked if Mr. Isley would provide recommendations on how to restructure the department. Mr. Isley said the staff really didn't have anyone to go to in order to have their questions answered, so they were looking into having a CPA readily available. He noted there was another town nearby having the same problems.

Mayor Pro Tem Walton said the workers hadn't talked to him and he didn't know what Councilwoman Young was talking about when she said "the workers came to us." He said, "We make the policies; we don't talk to the employees about what needs to be done. When you mix those things together, you have a problem. The City manager had to come to us to tell us what he needed, but all he gave us was a little brochure, a narrative about how he raised three people and I know that didn't solve all the problems."

Mr. Isley said when we don't get our audit delivered on a timely basis, that's an indicator that something is wrong. It's also hard to find firms to do government audits right now. Many firms have exited the process because there's not a lot of money there, so the ones doing the audits are often the bottom of the barrel. Mayor Pro Tem said he felt that three months and \$60,000 was not an easy pay-out. Mr. Isley agreed that it was not, but he said we'd paid for 12 months' worth of work over those three months.

Councilman Ruffieux asked what Mr. Isley's confidence in the completeness and accuracy of the work they've done was. Mr. Isley replied that he was extremely confident.

He explained that he didn't just hire people for his firm based on their resumes, but had them test in at least 95% accuracy, and they'd also need at least 15 years of experience in the field. He noted that these were people who were very trained in their field.

Councilwoman Young said when she was saying that the employees came to us, she meant they came to us through the Interim City Manager at the time, Chief Buffalo She just wanted it clarified for the minutes.

Councilman Brooks said to clarify, Mr. Isley needed to meet with IT and Tyler before we could nail down a timeframe and true experiences, was that correct? Mr. Isley said that was correct. He pointed out that Tyler has a big market in NC and they're affordable. They have indicated to him they'd like to work with us, but he wants to be shown and hammer out more details. Councilman Brooks said we have to stop the process of kicking the can down the road with poor auditors; and Mr. Isley agreed.

Mayor Pro Tem Walton asked how someone could lose \$20,000 and it not be found until 2021. He said he couldn't fault finance directors for leaving. Mr. Isley said he couldn't say for sure because he hadn't seen the records. He said there was a county that his team was called in to look at because the auditor could not finish the job. When they went in, the bank reconciliations had not been done in 25 years. He said often what happens there is the audit firm asks if the reconciliations were done, they're told yes, but they're not complete and the audit firm didn't check. It was never reconciled back to the general ledger. When you don't do those critical routines, you open yourself to issues like that. He believed that was our issue as well.

Councilman Ruffieux thanked Mr. Isley for coming out. He said he'd given examples of what had happened in other jurisdictions, but he wanted to make it clear that these were things that had happened elsewhere and not here.

Mayor Pro Tem Walton said what did happen here was the \$20,000 in 2019. Mr. Isley said that's correct. We got the cash, it just wasn't finalized through the testing. Based on that, he didn't believe the auditors checked through it properly.

Councilman Ruffieux asked if he could describe what a test was in layman's terms. Mr. Isley said you start with a bank reconciliation and a bank balance. A check may have been written in June that doesn't clear until July, which then should be subtracted from that month.

Mayor Parker thanked Mr. Isley for coming tonight to explain where we were. She said she looked forward to hearing about what came from the meetings with Tyler. She noted that it may cost us a little, but we're at a point now where we need to get it done and we need to get it done right. Mr. Isley said if we get this turned around and we tell the LGC what the plans are, he thinks that they will be satisfied.

4. Committee Reports:

- a) **EC-PC Economic Development Commission: Councilman Caudle, Mayor Parker –** Councilman Caudle said the Commission had not met yet.
- b) **Central Communications Advisory Board: Councilman Brooks –** Did not meet.
- c) **Fireman's Relief Fund Board: Councilman Spence –** Councilman Spence was not present.
- d) **Elizabeth City Downtown, Inc.: Councilwoman Young –** Councilwoman Young had nothing to report.
- e) **Elizabeth City Area Chamber of Commerce Board: Mayor Parker –** Mayor Parker reported that the board had a new president. She said there had been a ribbon cutting on January 11th, and there would be a business "after hours" on Thursday from 5-7 p.m. at 1142 North Road Street.

- f) **Parks and Recreation Advisory Board: Mayor Pro Tem Walton, Councilman Ruffieux** – Councilman Ruffieux said they’d met the prior Tuesday, which was his first meeting and had been a brainstorming session. He noted that both county and city representatives were present.
- g) **Storm Water Advisory Board: Councilman Spence, Councilman Ruffieux and Councilman Horton** – Councilman Ruffieux said the board had not met, but he felt they needed to get together and establish new direction.
- h) **Tourism Development Authority: Mayor Pro Tem Walton** – Mayor Pro Tem Walton said the TDA will meet this week. He noted they’d held a finance meeting and were moving forward with the marathon.
- i) **Community Relations Commission: Councilwoman Young** – Councilwoman Young had nothing to report.
- j) **Airport Authority: Councilman Caudle** – Councilman Caudle advised the board had not met since December 1st, but were scheduled to meet again this coming Wednesday.
- k) **Albemarle RPO Transportation Advisory Committee – Councilman Ruffieux**- Councilman Ruffieux said that meetings have been put on hold due to budget constraints. The next meeting is scheduled for February 16th.

5. Adjournment:

Mayor Parker asked for a vote to adjourn the work session.

Motion to adjourn was made by Councilwoman Jeannie Young, seconded by Councilman Chris Ruffieux. Those voting in favor of the motion were: Ruffieux, Brooks, Walton, Young and Caudle, Against: None. Motion carried.

There being no further business to be discussed, Mayor Parker adjourned the meeting at 6:34 p.m.

Bettie J. Parker
Mayor

April D. Onley
City Clerk, NCCMC