



City of Jonesboro

900 West Monroe
Jonesboro, AR 72401

Meeting Minutes City Council

Thursday, March 27, 2008

4:00 PM

Council Chambers

Special Called Meeting

1. Call to order by the Mayor at 4:00 P.M.

Present 12 - Judy Furr; Darrel Dover; Faye McCall; Ann Williams; Charles Frierson; Cecil Province; Jim Hargis; Chris Moore; Harold Perrin; John Street; Mitch Johnson and Tim McCall

2. Roll Call by the City Clerk

3. Special Presentations

COM-08:030

Statement read by Councilwoman Judy Furr at the special called City Council meeting on March 27, 2008.

Attachments: [Statement](#)

This item was Read.

Discussion with Crowe Chizek concerning further direction for the financial audit

Councilwoman Furr read a prepared statement concerning the financial audit. Councilman Moore asked Mayor Formon whether he approached two Council members to try and derail the audit. Mayor Formon stated he has always been open about the fact that he doesn't care about any kind of audit going through. He noted there have been Council members who indicated to him that they didn't want the audit to go forward. He added he doesn't have any problem with it going forward and will continue to help the people from Crowe Chizek. Councilman Moore then questioned whether Mayor Formon knew about NEAIDC funds being used to promote the convention center. Mayor Formon answered he doesn't know what NEAIDC does with their money, but the only thing they were able to pay for with direct funds from the City was for the attorney who drew up the paperwork for the vote. Councilman Moore clarified that Mayor Formon did not know before today that City money was used in some way or another to finance the convention center. Mayor Formon agreed. Councilman Moore then questioned the money spent on Furniture and Accessories as reported by Crowe Chizek in their preliminary report. Mayor Formon questioned how many years the expenditures covered. Councilwoman Furr stated the expenditures covered three years, 2005, 2006 and 2007. Mayor Formon explained he wasn't sure what was included in the amounts, but it would depend on what they considered to be "accessories". He noted everything that was purchased has been taken through the regular purchasing process and large sums have been brought before Council. Councilman Moore noted then they should have paper copies of the information and stated he expected it to be forthcoming. Mayor Formon questioned whether the numbers included items for the new fire stations and the animal control shelter. Councilwoman Furr stated she did

not know. Councilman Moore asked for information to be presented to show what the \$250,000 was spent on. Police Chief Michael Yates stated he didn't think they had more than \$10,000 in expenditures on furniture over the whole three years in the Police Department. He stated he would like to see how "accessories" was defined and whether it included ammunition or other supplies. Councilman Moore asked for someone to explain what Furniture and Accessories included. Mr. Mike Claytor from Crowe Chizek explained Appendix A of the preliminary report was broken down according to what was in the City's system as "Furniture and Accessories" and "Fixed Assets". Councilman Moore asked if Mr. Claytor can detail what was included under Furniture and Accessories. Mr. Claytor stated he did not have that information in front of him but he could get it and give it to the Council. Mayor Formon questioned what Accessories mean. Mr. Claytor stated it is whatever is included in the system as Accessories. He noted they did find things such as Kevlar vests for the Police Department that were coded as Accessories. Chief Yates stated the items that were purchased by the Police Department were coded correctly on their end, but he can't tell by the amounts shown in the report what furniture is and what they use in operations. He noted vests over three years could add up to be \$200,000. Mayor Formon noted in the City's budget there is no category called "Furniture and Accessories". Ms. Emy Neuman-Javornik explained they worked with the Purchasing Department to get the categories. Councilwoman Furr questioned why no one else questioned the findings of the report if the numbers didn't sound right. She questioned whether the Mayor looked at the report. Mayor Formon stated yes, he looked at the report but was unsure what they categorized as being Accessories. Ms. Neuman-Javornik stated they made no decisions about the categories; rather, that's the information that came to them from the City. Councilman Province questioned how much was spent and where the money came from to renovate the Mayor's Office when Mayor Formon came into office. Mayor Formon explained it was taken to the Finance Committee and the money was transferred from the old Justice Complex fund that was leftover. He added a line item transfer was signed by the Finance Committee chair and was passed by the Finance Committee. Councilman Province stated he did not remember it coming to the Council. Mayor Formon noted that, at that time, line item transfers only had to be approved by the Finance Committee and signed off on by the Finance Committee chair. Councilman Moore asked for someone to print out a list to show what the Accessories are.

Purchasing Agent Steve Kent explained the Council, many years ago, asked to have bulletproof vests to be put into Accessories because it was a uniform expense at that time. He further explained the five-year life of the vest wasn't being watched properly so it was put into Fixed Assets since each vest has a serial number. He noted each budget that is passed each year has vests in it. Councilman Dover questioned whether that was included in Accessories. Mr. Kent stated the City doesn't have anything called Accessories. He added Crowe Chizek is picking up on Fixed Assets, which also includes Furniture. Further discussion was held concerning what might be included in Accessories. Councilman Moore stated he wanted to resolve what Accessories means before going any further with the discussion. Mr. Kent stated he was only asked to print out a report of Fixed Assets and that is what he gave them. Mayor Formon added if Crowe Chizek decided to include bulletproof vests as Accessories then the City couldn't help that. Councilwoman Furr questioned why no one at the City questioned the amounts in the preliminary report. Mayor Formon stated they didn't know what Accessories included. He added they purposely stayed out of the audit process, other than giving the auditors the reports that they asked for. He stated anything that the auditors asked for they gave to them. Councilwoman Furr stated there's a difference between giving them the information they knew the auditors were looking for and the information they were given without delineating between the two. Councilman Dover questioned what the definition of Accessories was in the original resolution. After reviewing the original resolution, it was noted the

resolution did not define Accessories. Mr. Bert Nuehring explained in the appendix they broke out the Furniture and Accessories from the Fixed Assets. He added they can provide the Council with the list to show how the numbers were derived. Councilwoman Furr noted the Furniture and Accessories still adds up to \$600,000.

Councilwoman Furr questioned whether the legislative audit issue from 2005 had been resolved. She then questioned if the \$2 million of unaccounted funds from 2005 was carried over into the subsequent years. Mr. Claytor answered the \$2 million could not have be the same as what was reported unaccounted for last year. Councilwoman Williams questioned whether the 2006 audit was complete. Mayor Formon stated the audit is winding down now. He added everyone on the Council should be receiving a copy of the report. Mr. Claytor discussed the 2005 audit and stated the auditors were comfortable with rendering a clean opinion on 2005 due to the adjustments they made. He added the auditors were comfortable that the issue was just with reconciliations and they did not think there was any money missing. Councilwoman Furr questioned who received the 2005 audit report. She noted she does not recall receiving a copy of it.

Councilman Moore questioned the conversion to Springbrook. Mr. Claytor stated the City did not run parallel systems, except with Payroll, but that is not something that they would ever recommend. Councilman Moore questioned whether that led to the problems with the 2005 audit. Mr. Claytor stated he didn't do the audit, but it was indicated by the legislative auditor who performed the audit that the errors were due to changing systems and not due to missing money. He recommended if the City were go to back and try to reconcile everything to start at December of 2005 and work forward from there.

Councilman McCall expressed concern over the Council getting enough information about things going on in the City. Councilwoman Williams questioned whether reconciliation with Springbrook is dependent on the 2006 audit. Mr. Claytor stated they need to determine where the legislative auditors are with the 2006 audit. He added if they have issues with 2006 then they need to address those issues. He suggested having someone work on 2007 or even 2006 if needed by legislative audit. He stated he does not think it's worth the City's money to go back to 2005. Councilman Moore stated he wants to know the City has clean records before moving forward with other Capital Improvements projects. Councilwoman Furr stated it never occurred to her that someone walked off with money from the city; rather, the problem has been so longstanding that the taxpayers don't know where their money is going anymore. Councilman Moore expressed concern over the bank accounts not being balanced on a monthly basis. He questioned whether the Mayor had asked for them to start being balanced monthly. Mayor Formon stated they do require monthly, but the problem now is they are unsure of the starting balance due to the problems with Springbrook. Councilman Frierson stated there are things in the preliminary report that he completely agrees with and questioned who they can hire to put those things into place. Councilwoman Furr answered it was the intention of the Finance Committee to continue with Crowe Chizek and negotiate another contract to do further work as recommended by the Council. Mr. Claytor stated the City needs to contact Legislative Audit to see what their status of 2006 is before moving forward. He suggested doing some process work to line out processes and procedures for different areas. Councilman Dover questioned looking at 2007 before knowing the outcome of 2006. Mr. Claytor stated the City can go either way, but it would be preferable to know how the legislative auditors feel about 2006 before moving forward with 2007. Councilman Frierson suggested working to implement policy changes now and not waiting until moving forward with the audit. Councilman Moore stated he would like to hire someone to work on the policies and procedures because they know more about the areas.

Councilman Moore motioned, seconded by Councilman McCall, for the Finance Committee to meet with Crowe Chizek to negotiate a new contract to address some of the issues immediately. All voted aye.

Councilwoman Williams questioned the order of the recommendations in the report. Mr. Claytor stated the order indicated the priority. Councilwoman Furr noted there are some issues that need to be cleaned up in-house, such as with the convention center campaign.

Mr. Claytor noted Accessories in the report were defined as fixed assets that didn't meet the capitalization threshold, such as things that are sensitive equipment. He added they did not interpret Accessories to mean photographs and other items. He stated they can clean it up and get the information back to the Council.

Councilwoman Williams stated the Finance Committee will call a special meeting after receiving the 2006 audit.

Councilman Moore motioned, seconded by Councilwoman Furr, to adjourn to executive session to discuss possible misuse of city equipment by a city employee. All voted aye.

Councilman Moore motioned, seconded by Councilman Perrin, to resume the meeting. All voted aye. Councilman Moore stated no action was going to be taken.

4. Adjournment.

A motion was made by Councilman Chris Moore, seconded by Councilman John Street, that this meeting be Adjourned. The motion CARRIED by a Voice Vote.

Aye: 12 - Judy Furr;Darrel Dover;Faye McCall;Ann Williams;Charles Frierson;Cecil Province;Jim Hargis;Chris Moore;Harold Perrin;John Street;Mitch Johnson and Tim McCall

_____ **Date:** _____
Doug Formon, Mayor

_____ **Date:** _____
Donna Jackson, City Clerk