

CITY COUNCIL PROCEEDINGS
BEMIDJI, MINNESOTA
Regular Meeting/Work Session - January 9, 2006

Pursuant to due call and notice, a regular meeting/work session of the City Council of the City of Bemidji, Beltrami County, Minnesota, was held on Monday, January 9, 2006, at 5:30 p.m. in the Council Chambers of City Hall, Mayor Lehmann presiding.

Upon roll call, the following Councilmembers were declared present: Hellquist, Lehmann, Meuers, Markeson, Johnson, Downs, Erickson.

Staff Present: Eischens, Minke and Murphy-Schuett
Others Present: Sandy Nelson

Mayor Lehmann noted that the purpose of the meeting was to give the Council an opportunity to review the audit procedures in preparation for the 2005 audit and to discuss any particular concerns with the auditor.

Sandy Nelson, auditor from Miller, McDonald, Erickson & Moller, Ltd., provided an overview of the procedures involved in a Financial Statement Audit. She noted that random tests are performed on information provided by management to determine whether the information appears reasonable. In addition, the auditors will be doing some unannounced cash counts at City Hall and at the Police Department. She noted that preparations are underway for the 2005 audit and asked if the Council had any particular concerns or areas that they would like reviewed.

Johnson asked about the parking revenue from the parking lots. Nelson responded that the parking revenue is public money. Minke stated that the DDA will be considering a parking management agreement with the city and there will be a mechanism in place to monitor those funds.

Minke stated that the City has implemented procedures for the fuel cards and for local purchasing and asked that a follow-up be done on these procedures to see if these goals have been met. Nelson responded that they will review this.

Johnson asked if the auditor checks to see if the City has been receiving the franchise fees from newly annexed properties. Nelson responded that as a general rule, the auditors check the amount of the franchise fee. Eischens stated that the city has the option from the franchise to audit the companies.

Erickson asked about franchise fees and the new practice by Charter Communications of passing it along on their customer's bill. Discussion continued regarding Charter Communications charging customers the franchise fee and the amount. Eischens stated that there are certain revenues that go toward the franchise fee and it is explained in great detail in the franchise agreement. Minke stated that the City Attorney forwarded the concern to Bob Vose who has written to Charter Communications. Minke stated that the City could have Charter and Paul Bunyan audited for the purpose of determining if they are paying the

correct franchise fee similar to what the City did for the lodging tax. Nelson stated that there would be an additional charge for this service.

Hellquist commented that he was a certified contractor with the federal government and is paid by credit card and asked Nelson about this practice.

Nelson responded that she has seen credit cards being used; however, she does not like this practice because of the controls.

Eischens stated that the City has one credit card which is kept in the Finance office and used for purchasing on-line because of a timing issue or in making reservations for travel.

Erickson asked about accountability for small purchases by staff.

Nelson stated that the auditors do a random sample of many items. If they find any deviations, they expand the sample.


Eischens explained that a purchasing policy which was adopted by the Council which establishes who is authorized to make purchases and the dollar limit.

Erickson stated that she is concerned about the Liquor Store as there is a lot of cash flow through the liquor store and asked what controls are in place at the liquor store. Nelson responded that there are daily controls by the cashiers and cameras at both stores. Discussion continued on inventory control at the Liquor Store.

ADJOURN

There being no further business, motion by Downs, second by Johnson, to adjourn the meeting. Motion carried. Meeting adjourned at 6:15 p.m.

Respectfully submitted,


Kay Murphy-Schuett
City Clerk