CITY OF BETHEL
FINANCE COMMITTEE
MONDAY, NOVEMBER 28, 2022, 6:30 PM
LOCATION: 300 CHIEF EDDIE HOFFMAN HIGHWAY, BETHEL, ALASKA

ZOOM MEETING LINK: HTTPS://ZOOM.US/J/99674371849?PWD=NWTUNURHC1EVOE15DUVONFJ3NKP UT09
ZOOM MEETING ID: 996 7437 1849 **ZOOM PASSCODE: 507255**

MEMBERS	STAFF
Rose Henderson, Council Rep. Mayor	Xavier Mason, Ex Officio Member
Carol Ann Willard, Chair	Alexandra Batchelor, Recorder (Ex Officio Member)
Robert Rey, Vice Chair	abatchelor@cityofbethel.net
John Hamilton	907-543-1381
Farah Sears	
Vacant	
Vacant	

I. CALL TO ORDER

II. ROLL CALL

III. PEOPLE TO BE HEARD – FIVE MINUTES PER PERSON

A. We accept written testimony from the public for each of our public meetings. The deadline to submit your written testimony will be 4:00 pm the day of the meeting. Please send written testimony to abatchelor@cityofbethel.net.

Anonymous submissions will not be accepted.

IV. APPROVAL OF AGENDA

A. 11/28/2022

V. APPROVAL OF MEETING MINUTES

A. 10/24/2022

VI. UNFINISHED BUSINESS

VII. NEW BUSINESS

A. Proposed Changes to B.M.C. 04.16.430 (H) (Farah Sears)

B. Cancel 12/26/2022 Finance Committee Meeting and move to 12/20/2022

VIII. EX OFFICIO REPORT

IX. MEMBER COMMENTS

X. ADJOURNMENT

Posted 11/22/2022 at City Hall, AC Co., Swanson's, and the Post Office.

_____
Alexandra Batchelor Ex-Officio Staff

City of Bethel, Alaska
Finance Committee Minutes

October 24th, 2022 | Regular Meeting | Bethel, Alaska

I. CALL TO ORDER

A Regular Meeting of the Finance Committee was held on October 24th, 2022, at 6:39 PM in-person and via zoom.

II. ROLL CALL

Comprising a quorum of the Committee, the following were present: Rose Henderson (City Council – Mayor), Carolann Willard, Robert Rey, John Hamilton, and Farah Sears via Zoom.

Also in attendance: Duane Wright (Ex Officio), Xavier Mason (Ex-Officio), and Alexandra Batchelor (Recorder)

Unexcused Absences:
Excused Absences:

III. PEOPLE TO BE HEARD: NONE

IV. APPROVAL OF AGENDA

10/24/2022

MOVED BY	Robert Rey	Motion to approve
SECOND BY	John Hamilton	
VOTE ON MOTION	All in favor	4-0

V. APPROVAL OF MINUTES:

08/22/2022

MOVED BY	Robert Rey	Motion to approve
SECOND BY	John Hamilton	
VOTE ON MOTION	All in favor	4-0

09/26/2022

MOVED BY	Robert Rey	Motion to approve
SECOND BY	John Hamilton	
VOTE ON MOTION	All in favor	4-0

VI. NEW BUSINESS –

B. Discussion of B.M.C. 04.16.420 – No Motion to Approve

C. Discussion of B.M.C. 04.16.430 – No Motion to Approve

VII. EX Officio Member Reports

VIII. COMMITTEE MEMBER COMMENTS:

Robert Rey: I've been on the committee for three years now; tonight seemed like a pretty healthy conversation. Like we haven't had anything this healthy **in a long**

time since I've been on board. I appreciate everyone's opinions and that we could say what we wanted without being attacked. I am looking forward to having healthier conversations. Good conversations. I know we went overtime pretty late, but I appreciate everyone's time and efforts tonight.

John Hamilton – Likewise, very informal**.** For once, it felt like we were really discussing thing earlier and understanding it—progress, not perfection. I think we are headed in the right direction.

Farah Sears – Really great conversation. I am in king with everybody else. I think there needs to be checks and balances with everyone else involved. I think penalties are supposed to be punitive; that's why they are penalties. When will the letters about the Amnesty program letter go out? Other than a great meeting.

Rose Henderson – Thank you for inviting me. I was happy to be here. My goal is to be on every committee or commission the city has. Hopefully, I will be elected that many times since they are two-year elected seats. And you only have to sit on a committee/commission for one year. I chose Finance this time, Duane, was this just a bubbly excitement shouting, "Come to my committee, come to my committee." This was wonderful, thank you.

Carolann Willard – I appreciate everyone showing up today. Five of five showed up today and had a quorum last meeting. We didn't have one, so that's nice. Can we add the vacancy we have? I appreciate all the questions and good discussions we had today.

IX. MOTION TO END MEETING:

MOVED BY	Rose Henderson	Motion to approve
SECOND BY	Robert Rey	
VOTE ON MOTION	All in Favor	4-0

The chair called the meeting to an end at 8:25 pm.

_____
Carol Ann Willard, Chair

ATTEST:

_____
Alexandra Batchelor, Recorder

4.16.430 Penalties for violations.

A. A person who is convicted of a violation of this chapter, where a fine is not otherwise specifically described in this section, shall be subject to a fine of not more than five hundred dollars ($500) plus any surcharge required to be imposed by AS 29.25.074.

B. A buyer or seller who knowingly or negligently submits false information in a document filed with the city pursuant to this chapter is subject to a fine of five hundred dollars ($500).

C. A seller who knowingly or negligently falsifies or conceals information related to its business activities within the city is subject to a fine of five hundred dollars ($500).

D. A person who knowingly or negligently provides false information when applying for a certificate of exemption is subject to a fine of three hundred dollars ($300).

E. Any seller who fails to file a return required under this chapter within fifteen (15) days of written notification by regular mail, regardless of whether any taxes were due for the reporting period for which the return was required, shall be subject to a penalty of twenty-five dollars ($25) for the first sales tax return not timely filed, and fifty dollars ($50) for each subsequent sales tax return not timely filed within a one- (1-) year period thereafter. The filing of an incomplete return shall be treated as the filing of no return.

F. Sellers who have not filed returns for two (2) consecutive reporting periods shall be assumed to have ceased conducting business and shall be removed from the roll of active businesses. Reinstatement of a business removed from the active roll by this section shall require the payment of a mandatory reinstatement fee.

G. A person subject to the requirements of BMC 4.16.150, who fails to provide a written receipt or invoice setting out the amount of tax due on the transaction when the amount of the tax is required to be shown on the receipt or invoice, shall pay a penalty to the city equal to twice the amount of the tax due on the sale; however, the minimum penalty is twenty-five dollars ($25).

H. ~~A seller who fails or refuses to produce requested records or to allow inspection of their books and records shall pay to the city a penalty equal to three (3) times any deficiency found or estimated by the finance department with a minimum penalty of five hundred dollars ($500).~~

If a seller is chosen for audit by the finance department, they are required to produce the records requested or allow for inspection of their books. The letter process is as follows:

1. 1st Audit Letter: The seller has two weeks to respond based on the date of the letter. Additional time can be granted if the seller contacts the Finance Director.

2. 2nd Audit Letter: If the seller has not contacted the Finance Director, a second notice is sent, and an additional two weeks is given for a response from the seller. If there is still no contact from the seller.

3. 3rd Letter: The last notification of the seller's selection of a sales tax audit is sent requesting their records or inspections of their books is sent by certified mail, giving the seller one final chance and two weeks more to produce the above items to the finance department.

Final determination and Penalties: If it is determined that the seller is refusing to comply with the audit. The Finance Director will assess an estimation of income determined using comparable businesses as the source to calculate sales tax owed to the city. The seller will also be fined a penalty equal to three (3) times any deficiency found or estimated by the finance department with a minimum penalty of five hundred dollars ($500).

I. A seller who falsifies or misrepresents any record filed with the city is guilty of an infraction and subject to a penalty of five hundred dollars ($500) per document.

J. Misuse of an exemption card is an infraction and subject to a penalty of:

1. Fifty dollars ($50) for a first occurrence and a one- (1-) month suspension of the privilege to use an exemption card;

2. One hundred dollars ($100) for a second occurrence and a one- (1-) year suspension of the privilege to use an exemption card; and

3. Five hundred dollars ($500) for a third occurrence and the potential lifetime revocation of the privilege to use an exemption card issued by the city.

K. A penalty imposed under any part of this section may not be waived or reduced except upon a clear showing of reasons beyond the control of the person upon whom the penalty is imposed and only with the written consent of the city attorney. Any other waiver or reduction of penalties shall only occur with the consent of the city council.

L. All remedies for violations of this chapter are cumulative and are in addition to any others existing at law or in equity.

M. Nothing in this chapter shall be construed as preventing the city from filing and maintaining an action at law to recover any taxes, penalties, interest and fees due from a seller. The city may also recover full actual reasonable attorney's fees in any action against a delinquent seller.

N. If the city manager or finance director has reason to believe that a seller who has been removed from the roll of active businesses pursuant to this section is in fact continuing to conduct business, the city manager may cause a proceeding to be filed in the Superior Court requesting the issuance of an injunction prohibiting that business from continuing to conduct business. [Ord. 17-39 § 2.]

The Bethel Municipal Code is current through Ordinance 22-35, passed October 25, 2022.

Disclaimer: The city clerk's office has the official version of the Bethel Municipal Code. Users should contact the city clerk's office for ordinances passed subsequent to the ordinance cited above.

City Website: www.cityofbethel.org
Code Publishing Company

City of Bethel
Finance Department
Monthly City Manager's Report for October 2022

Date:	October 1 to October 31, 2022
To:	Peter Williams, City Manager
From:	Duane Wright, Finance Director
Subject:	Management Report, October - 2022

The Finance Department's Monthly City Manager Report details the progress, challenges, and activities of the Finance Department for the month of October 2022.

Current Activities within the Finance Department

- The Finance Department continues work on activities related to completion of the external (BDO) annual audit for FY-21. Discussed audit progress with BDO account partner. He says the audit firm is having difficulty with obtaining staff to complete the audit. They are experiencing significant staffing across the US accounting profession. They are not sure when the final report will be delivered. The last estimated delivery date was October31, 2022.
- BDO is not engaging to provide audit services beyond the current audit of fiscal year 2021. They have advising us to seek another auditing company for completion of the June 30, 2022, audit.
- The city has issued an RFP for external audit services for the fiscal year ending June 30, 2022. We have identified the firm of Altman, Rodgers & Company CPAs as the replacement certified public accounting firm to conduct the fiscal year June 30, 2022, year end audit.
- At the start of October, the Finance Director was managing an investment portfolio of a little over $11,000,000 in conservative interest-bearing obligations which are currently yielding over 3% in annual earnings. Historically we have not earned anything on idle funds hold by the city. During the month of October, the Finance Director added an additional $3,000,000 to the investment portfolio at a rate of 4.37% for a period of 6 months. Our total invested cash earning interest is now over $14,000,000.
- As part of the audit process for FY-21 the Finance Department is investigating the funding and disbursement of moneys from the "Cares-Act" funding during 2020. There was a separate account established at FNB Alaska and none of the transactions recorded there were incorporated in the Caselle accounting system used by the city. This element of the FY-21 audit remains in-

process of examination by BDO and has to date been a negative component to the timely completion of the audit.

- The Finance Department is working through the processes to establish a month end close process. The books have not been closed since June 2019.
- The Finance Director is looking at the Community Action Grant processes and evaluating how effective internal controls are working in this program. There are several areas in need of correcting and enhancing to make the CAG process more accountable and compliant with good internal controls.
- The Finance Director is working to improve the overall granting processes. The grants manager has been asked to work more closely with the finance department to enhance the quality, consistency and accountability of the grant compliance processes.
- The Finance Department has completed the first monthly outsource of the billing cycle to "BillFlash" a third-party billing vendor. This first month utility billing cycle successfully completed using the outsourcing model. The outsourcing of this activity has eliminated the labor hours, material costs and mailing processes required by city finance department staff.
- The Finance Department continues to work on improved payroll processes to enhance the over-all accuracy and integrity of payroll processing, HR compliance, Sales Tax collection and payment processing are also under continuous enhancement.
- The Finance Department remains understaffed. We are currently missing two and a half staff members. There two full-time open slots are Accounting Assistant I personnel. Our advertising has not yet yielded candidates for consideration. We are working with HR Manager to find replacements.
- The Finance Director continues to work on sales tax compliance processes (audits, letters of delinquent filing, letters to businesses need to establish business license, etc.). As of the end of the month we have 14 audits current underway. Since June, we have completed 32 audits. The audit process continues to encounter significant resistance to completing audits, to paying amounts due and cooperation from the business community as a whole.
- The Finance director is working to compile a list of the "Delinquent Sellers" for BMC 4.16.400 disclosure. The completion of the activity is target for early November. Once the list is compiled the Finance Director will publish the list of these delinquent seller in the Delta Discover, Anchorage Daily News and on the city website.
- The Bethel City Council through Ordinance 22-34 has approved an "Amnesty" program for sales tax compliance. The Finance director is working through a process of extending the program to Sellers who have failed to comply under the terms and conditions of the ordinance.

- The Finance Director has identified a "gap" in business license compliance. The finance department has implemented a process to identify those businesses operating in city. We are notifying the "non-compliant" businesses to bring them into compliance. To date we have set out over 180 letters.
- The Finance team continues to work on team building and learning activities.
- Finance Department is implementing an ACH process for accounts payable processing. This will enhance and streamline payment processing to accounts payable vendors through automation of the many elements of the payment cycle.

Staffing/Recruitment

There are two and half fulltime positions open for an Accounting Specialist I

Training

The Finance Department is working on a goal of cross-training for all team members. We are also committed to continuous training for all team members.

Group Training Sessions:

The finance department has initiated regular weekly team training sessions. These sessions occur on Friday mornings and cover information relevant to the operation of the finance department.

Independent Training(s):

The Deputy Director is continuing his CPA preparation/training.

Select Tasks & Statuses by Sub-Department

Utility Billing

Tasks	Frequency	Status
Collections	Monthly	Current. This month we were very aggressive in contacting and issuing payment plans for delinquent account holders.
ORS'	Daily	Current.

Payroll/AP

Tasks	Frequency	Status
Personnel Action Requests (PARs)	As Needed	Current.
Deferred Compensation	Bi-weekly	Current.
Payroll	Bi-weekly	Current.
Accounts Payable	Weekly	Current.

Sales Tax

Tasks	Frequency	Status
Applying Business License Payments	Daily	Current.
Mailing Delinquency Notices	Monthly	Current.
Constructing Aging Reports	Monthly	Current.
Applying Business License Renewals	As needed	Current.
Drafting Payment Plans	As needed	Current.
Applying Payments	Daily	Current.
Reviewing & Processing Exemption Cards	As needed	Current.

General Ledger

Tasks	Frequency	Status
Journal Entries	Monthly Recurring	Current (April)
Budget Amendments (from budget ordinances)	As needed	Current (April)
Cash Reconciliations	Monthly	Current (April)
Investment Reconciliations	Monthly	Current
Create Allocations & Run Checkout	Monthly	Current
DOJ Grants	Quarterly	Current

Internal Improvements

The following are a list of internal tasks, actions, projects, or changes that we have made within the Finance Department for the purpose of improving operations:

- Identifying "seller" businesses not in compliance with sales tax reporting and conducting examinations.
- Improving enforcement of fees, interest and penalties on sellers who have a sales tax certificate and who fail to file and pay on time. This area needs more focus.
- Enhanced payroll processing steps to include a detailed second review and approval step for payroll completion. We have enhanced payroll processing steps to include a process of checks and balances to improve quality.
- Establish a vendor ACH payment process.
- Complete accounting month-end closure processes and procedures.
- Complete the goal of supporting the Amnesty program.
- Adopting the detail aspects of the newly signed Collective Bargining Agreement into the payroll processes.
- Completing a repeatable methodology for disclosure under the requirements of BMC 4.16.400 – Delinquent Sellers

Small & Big Wins

- The finance department continues the process of sale tax audits. Including the development of the policies and procedures to support process.
- The finance department has established an investment process to earn a 3% earnings rate on $11 million dollars.
- The finance department has added an additional investment at a rate 4.37% on $3,000,000.
- Finance department continues to support the FY-21 Audit process. Audit still underway.
- Finance Director has established enhanced purchasing processes – increased use of purchase orders.
- Finance department is enhancing internal controls in CAG process.
- Finance director enhancing internal audit steps on the accounts payable processes.

Challenges

- The Finance Director is experiencing inappropriate interference from the City Manager and City Clerk involving the day-to-day accounting, finance, sales tax compliance, internal controls, and appropriate audit activities. This interference has resulted in an environment where these individuals have indirectly or directly interfered by over-riding the appropriate accounting

processes or activities required by GAAP, GASB, best practices and appropriate audit standards. This conduct is detrimental to the financial processes and productivity of the Finance Director, the finance department, and the City of Bethel's overall financial condition. I made my professional objections known to these individuals before they choose to ignore and override my professional opinion and position. I will concede - "professional" knowledge and opinion can bring unpleasant and inconvenience truth. If council members would like to discuss in more detail, please let me know.

- The Finance Department must continue training so that we can enhance our collective level of proficiency.
- The Chart of Accounts update has affected our ability to complete quarterly reports for some grants and will continue to limit our ability to do detailed account analysis.
- We are still working on a discovery and correct process to insure errors and omissions left by former personal.

Goals for the Future

- Utilizing data analytics to identify challenges and opportunities that can spur economic development.
- Reconciling all accounts and their correct distributions, particularly the Seawall Maintenance Fund.
- Conduct regular accounting month-end closings on a schedule.
- Payroll group within the finance department need to complete the integration of the new "Collective Bargaining Agreement" (CBA) terms and conditions into the city payroll processes. As of the end of September, the finance department has not been provided with a copy of the final signed agreement.
- Development of enhanced internal control processes.
- Increased training events for small business owners with guidance on how to file their sales tax returns.

Report Criteria:
- Accounts to include: With balances
- Include Funds: 100
- Print Fund Titles
- Page and Total by Fund
- Include Sources: None
- Print Source Titles
- Total by Source
- Include Revenues: None
- Include Departments: 53
- Print Department Titles
- Total by Department
- All Segments Tested for Total Breaks

Account Number	Account Title	2022-23 Current year Budget	2022-23 Current year Actual	2022-22 Current year
GENERAL FUND				
FINANCE				
100-53-6000	SALARIES	699,921.00	227,832.47	472,088.53
100-53-6010	OVERTIME	16,000.00	9,673.56	6,326.44
100-53-6022	HOLIDAY PAY	.00	5,524.45	5,524.45-
100-53-6023	LEAVE CASHOUT	8,568.00	642.77	7,925.23
100-53-6030	SOCIAL SECURITY EXPENSE	1,300.00	.00	1,300.00
100-53-6031	PAYABLE MEDICARE FICA	10,381.00	3,635.98	6,745.02
100-53-6032	UNEMPLOYMENT	12,743.00	.00	12,743.00
100-53-6033	WORKERS' COMPENSATION	1,849.00	376.12	1,472.88
100-53-6034	PERS	157,503.00	53,574.56	103,928.44
100-53-6040	EMPLOYEE GROUP BENEFITS	228,852.00	53,223.08	175,628.92
100-53-6041	UTILITY BENEFIT	41,040.00	8,731.98	32,308.02
100-53-6060	TRAVEL/TRAINING	20,000.00	6,286.79	13,713.21
100-53-6100	SUPPLIES	11,000.00	9,436.65	1,563.35
100-53-6150	GASOLINE/DIESEL/OIL	1,200.00	351.54	848.46
100-53-6170	TELEPHONE	250.00	33.44	216.56
100-53-6171	STAFF CELLULAR PHONES	2,000.00	755.42	1,244.58
100-53-6200	MINOR EQUIPMENT	11,000.00	4,231.81	6,768.19
100-53-6230	VEHICLE MAINT/REPAIR	1,266.00	436.19	829.81
100-53-6240	PROPERTY MAINT	.00	5.48	5.48-
100-53-6310	Admin-Outsourced Services	95,000.00	33,867.17	61,132.83
100-53-6311	AUDITING EXPENSE	100,000.00	11,000.00	89,000.00
100-53-6331	HARDWARE/SOFTWARE SUPPORT	19,000.00	3,874.75	15,125.25
100-53-6335	OTHER PROFESSIONAL FEES	205,000.00	74,575.52	130,424.48
100-53-6400	INSURANCE	33,901.00	2,255.40	31,645.60
100-53-6502	ADVERTISING	2,500.00	.00	2,500.00
100-53-6503	DUES & SUBSCRIPTIONS	5,000.00	223.96	4,776.04
100-53-6506	POSTAGE	1,300.00	283.28	1,016.72
100-53-6530	FINANCE CHARGES/PENALTIES	300.00	55.15-	355.15
100-53-6531	BANK CHARGES	52,000.00	16,681.55	35,318.45
100-53-6532	CASH OVER/SHORT	500.00	19.82-	519.82
100-53-6533	IRS PENALTIES AND INTEREST	4,000.00	647.87	3,352.13
100-53-6539	MISCELLANEOUS EXPENSES	4,000.00	973.46	3,026.54
100-53-6700	INDIRECT COST RECOVERY	907,855.00	240,023.21	667,831.79
100-53-6711	ADMIN OVERHEAD-IT SVCS	33,260.00	9,213.58	24,046.42
100-53-9693	KiosK+Annual Fees&NewCopier	20,000.00	.00	20,000.00
Total FINANCE:		2,708,489.00	778,297.07	1,930,191.93
GENERAL FUND Revenue Total:		.00	.00	.00

Account Number	Account Title	2022-23 Current year Budget	2022-23 Current year Actual	2022-22 Current year
GENERAL FUND Expenditure Total:		2,708,489.00	778,297.07	1,930,191.93
Net Total GENERAL FUND:		2,708,489.00-	778,297.07-	1,930,191.93-
Net Grand Totals:		2,708,489.00-	778,297.07-	1,930,191.93-

Report Criteria:
- Accounts to include: With balances
- Include Funds: 100
- Print Fund Titles
- Page and Total by Fund
- Include Sources: None
- Print Source Titles
- Total by Source
- Include Revenues: None
- Include Departments: 53
- Print Department Titles
- Total by Department
- All Segments Tested for Total Breaks

Committee Name 2022 Attendance

Regular Meetings

Member Name	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
John Hamilton*	P	U	E	U	P	P	E	P	E	P		
Brian Henry	U	U	U	U	R							
Henry S. Batchelor Jr.									P			
Rose Henderson, Mayor										P		
Robert Rey	P	E	P	U	P	P	E	P	U	P		
Farah Sears	P	P	P	U	P	U	P	P	E	P		
David Trantham, Jr.	P	P	P	P	E	E	E	R				
Eric Whitney	P	U	P	P	P	U	U	P	P			
Carol Ann Willard	P	P	E	P	P	E	P	P	P	P		
Finance Director	P	P	P	P	P	P	P	P	P	P		
Recorder	E	P	P	P	P	P	P	P	P	p		

Special Meetings

Member Name	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.

Vacancy shall be declared by the body when a member:
Fails to attend 3 regular meetings without being excused by the body
Fails to attend 3 special meetings without being excused by the body
Fails to attned 65% of regular meetings
Fails to attend 65% of special meetigns.

P=Present
E=Excused
U=Unexcused

Chair determines excused/unexcused during roll call. If a member disagrees with the the chair, a motion to overule the decision of the chair can be made. * Alternate Member