

City of Dubuque

Action Items # 4.

ITEM TITLE:

City Council Pre-Approval of Accounts Payable

SUMMARY:

City Manager recommending that City payments be first approved by City Council and further recommends exceptions to that policy consistent with state law.

SUGGESTED DISPOSITION:

RESOLUTION Approving Pre-Payment of Claims
Suggested Disposition: Receive and File; Adopt Resolution(s)

ATTACHMENTS:

Description	Type
Council Preapproval of Accounts Payable-MVM Memo	City Manager Memo
Staff Memo	Staff Memo
Resolution	Resolutions

TO: The Honorable Mayor and City Council Members
FROM: Michael C. Van Milligen, City Manager
SUBJECT: Council Pre-approval of Accounts Payable
DATE: May 3, 2018

Finance Director Jean Nachtman is recommending that City payments be first approved by City Council. Jean also recommends exceptions to that policy consistent with state law.

After a conversation with the State Auditor's Office, during a review of the City's fiscal year 2016 audit, the City conducted a survey of the accounts payable practices among other large Iowa cities. It was noted that about half of the cities have a policy stating that their city payments are held until approved by City Council.

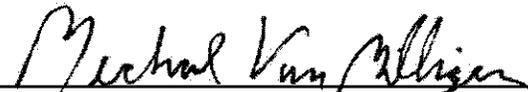
In Dubuque, the City Council does approve payments through the budget process. However, to align with best practices and to be consistent with the interpretation of the State Auditor, it is recommended that the City switch to City Council review and approval of accounts payable before payments are made, unless a specific exclusion is given.

The current practice is to issue and mail checks weekly for all accounts payable expenses. The list of checks issued in the prior month is presented as a consent item to the City Council at the first Council meeting each month. The new process would require City Council preapproval of expenses unless the expense is exempt according to the proposed resolution.

The City is transparent with all its expense payments. In addition to the payment lists provided for City Council consent, the City provides Open Expenses on the City website that allows visitors to browse payments from a high-level summary to a detailed view. This information is updated weekly as accounts payable is processed. The City publishes monthly vendor payments in the Telegraph Herald. The same information is available on the Finance Department's website for the current and past months.

It is the Finance Department's goal to provide meaningful and timely financial data to satisfy the need for sound fiscal policy and full disclosure. City Council review and approval of payments adds another layer of fiscal control.

I concur with the recommendation and respectfully request Mayor and City Council approval.


Michael C. Van Milligen

MCVM:jh
Attachment

cc: Crenna Brumwell, City Attorney
Teri Goodmann, Assistant City Manager
Cori Burbach, Assistant City Manager
Jean Nachtman, Finance Director

TO: Michael Van Milligen, City Manager
FROM: Jean Nachtman, Finance Director
SUBJECT: Council pre-approval of accounts payable
DATE: May 3, 2018

INTRODUCTION:

After a conversation with the State Auditor's Office, during a review of the City's fiscal year 2016 audit, the City conducted a survey of the accounts payable practices among other large Iowa cities. It was noted that about half of the cities have a policy stating that their city payments are held until approved by Council. The code per the State auditor is Iowa Code §372.13A/.

372.13A Payments without prior authorization of council.

1. If concurrent vacancies exist on the council and the remaining council members do not constitute a quorum of the full membership, the city clerk is authorized to make the following payments without prior approval of the council:

- a. For fixed charges including but not limited to freight, express, postage, water, light, telephone service, or contractual services, after a bill is filed with the clerk.
- b. For salaries and payrolls if the compensation has been fixed or approved by the council. The salary or payroll shall be certified by the officer or supervisor under whose direction or supervision the compensation is earned.

2. If concurrent vacancies exist on the council and the remaining council members do not constitute a quorum of the full membership and the office of city clerk is vacant, the county auditor of the county where the city is located shall make the payments described in subsection 1 without prior approval of the council.

3. The bills paid under this section shall be submitted to the city council for review and approval at the next regular meeting following payment in which a quorum of the council is present.

The City Attorney's Office has reviewed §372.13A and does not agree this section mandates preapproval of every expenditure by the City Council at the time an invoice is paid. The provision specifically relates to the handling of expenditures when there is not a quorum of the City Council.

Although this code does not explicitly state payments must be approved by Council, by itemizing specific exceptions to council pre-approval, it is possible to infer a payment not part of the stated exclusions should be approved by council prior to payment.

DISCUSSION:

In essence, the Council does approve payments through the budget process. However, to align with best practices and to be consistent with the interpretation of the State Auditor, I propose that the City switch to Council review and approval of accounts payable before payments are made, unless a specific exclusion is given.

The current practice is to issue and mail checks weekly for all accounts payable expenses. The list of checks issued in the prior month is presented as a consent item to the Council at the first Council meeting each month. I propose that the City adopt a new process that requires council preapproval of expenses unless the expense is exempt according to the proposed resolution.

The City could establish a primary check run with items that require Council approval. The approval list will be generated on the Thursday prior the scheduled council meeting. The checks are released for mailing after council approval. On alternate weeks, a secondary check run that consists of only of those items that are already authorized by council can be generated (e.g. construction contracts, equipment purchases, debt service payments, etc.). There are a few categories of checks that have historically been mailed as issued as well due to timing issues, such as monthly routine utility bills, reimbursements to employees for budgeted purchases, and deposit refunds. A complete listing of all items being requested for authorization to release is listed below.

Items on the secondary list check would be mailed immediately, as they have already had Council action to approve the expenditure. It is possible that some of the pre-authorized expenses will be processed as part of the primary check run, simply because of the due date of the invoice. Regardless of which check run an item is processed, a complete report/register of all checks issued is sent to each council meeting for review and approval.

This change in procedure will delay the payments to our vendors from weekly to bi-monthly. Departments will be informed to closely watch due dates to avoid incurring late payment penalties and to take advantage of early payment discounts.

The City has always been transparent with all its expense payments. In addition to the payment lists provided for Council consent, the City provides Open Expenses on the website that allows visitors to browse payments from a high-level summary to a detailed view. This information is updated weekly as accounts payable is processed. The City publishes monthly vendor payments in the Telegraph Herald. The same information is available on the Finance Department's website for the current and past months.

It is the Finance Department's goal to provide meaningful and timely financial data to satisfy the need for sound fiscal policy and full disclosure. Council review and approval of payments adds another layer of fiscal control.

ACTION:

I am recommending that beginning in July of 2018, the Council begin approving accounts payable payments before the checks are issued. I am also recommending that Council give authorization to the Finance Director to issue checks prior to City Council approval for payment of the following items:

1. Bonds and principal representing bonded indebtedness of the City, when said bonds and principal are due and presented for payment. All interest on bonded indebtedness of the City when the same is due and coupons are presented for payment, or when the contracted bond registrar requests payment.
2. All other scheduled debt service principal and interest payments approved by previous council action.
3. All sales tax due to the State of Iowa.
4. All utility bills for water, electricity, gas, telecommunications, etc.
5. All medical, dental, disability and life insurance premiums and medical claims from insurance provider.
6. All annual premiums for the City's property, liability, and pollution policies.
7. Salaries and wages of officers and employees at the rates authorized by City Council.
8. Payment of federal and state withholding taxes, social security, Medicare, retirement fund, MFPRSI and IPERS contributions, and unemployment taxes as required.
9. Contractual payments for items approved by previous Council actions.
10. Reimbursements to employees for budgeted purchases (e.g. travel costs).
11. Deposit refunds under facility rental contracts.
12. Utility overpayment refunds.
13. To take advantage of early payment discounts.

A listing of the checks issued under the exceptions above will be provided to Council for review post issuance.

Attached is a resolution Approving Prepayment of Claims that will give Finance the authority to issue checks without prior council approval. In the case of Library and Airport, expenses must be approved by their respective boards and/or commissions, prior issuance of checks.

Thank you for your consideration.

cc: Tami Lansing, Assistant Finance Director
Crenna Brumwell, City Attorney

RESOLUTION 142-18

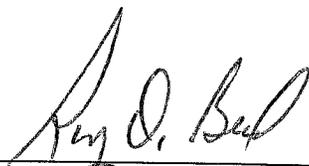
A RESOLUTION APPROVING PREPAYMENT OF CLAIMS

WHEREAS, the City of Dubuque is committed to making timely payment of amounts due to avoid service interruptions and penalties or late fees which would become due if payments are not timely made; now therefore.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DUBUQUE, IOWA, that the Finance Director be and is hereby authorized to issue checks in payment of the following expenditures prior to City Council approval:

1. Bonds and principal representing bonded indebtedness of the City, when said bonds and principal are due and presented for payment.
2. All interest on bonded indebtedness of the City when the same is due and coupons are presented for payment, or when the contracted bond Registrar requests payment.
3. All sales tax due the State of Iowa.
4. All utility bills for water, electricity, gas, telecommunications, etc.
5. All medical, dental, disability and life insurance premiums and medical claims from insurance provider.
6. All annual premiums for the City's property, liability, and pollution policies.
7. Salaries and wages of officers and employees at the rates authorized by City Council.
8. Payment of federal and state withholding taxes, social security, medicare, retirement fund and IPERS contributions, and unemployment taxes as required.
9. Contractual payments for items approved by previous Council actions.
10. Reimbursements to employees for budgeted purchases (ie: travel costs).
11. Deposit refunds under facility rental contracts.
12. Utility overpayment refunds.
13. To take advantage of early payment discounts.

Passed and approved this 7th day of May 2018.



Roy D. Buol, Mayor

ATTEST:



Kevin S. Firnstahl, City Clerk