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CITY OF OLMSTED FALLS  
FINANCE COMMITTEE  
MINUTES  
APRIL 24, 2018  
6:45 PM  
COUNCIL CHAMBERS

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Chairman Lori Jones called the meeting to order at 6:47 p.m. Roll call was conducted. Councilmen Paul Stibich, Ed Gorski, Denise Nicolay, Terry Duncan. Kyle Miller was excused.

Also Present: James Graven, Mayor, Vic Nogalo, Finance Director, and Terry Veloski, Asst. Finance Director.

**ACH Transactions**

Ms. Jones indicated that we will be discussing updating our system in order to pay invoices in a more and efficient manner.

Mr. Nogalo stated that the charter states that all checks issued shall be signed by the director of finance or the mayor and shall be countersigned by the president or president pro-tempore of Council. He stated everywhere he has worked council did not sign checks he feels it is fine with council having that oversight. Most of the payments for the city is done by checks but if we change, for example, the utilities could be paid through ACH transactions and credit cards, plus we could possibly receive cash back for credit cards. Also, we would save money by not having to purchase envelopes and postage to mail. If we move to ACH we would not be avoiding Council, but, there would be nothing to sign. He is unsure if the intent in the Charter was to make sure that Council sees all expenditures. Ms. Jones stated that she believes it was as the Charter was written with internal control. When this is not possible certain individuals would have access and would still review the expenses. All expenditures would also be authorized within the budget.

Mr. Nogalo stated that Council controls the budget and all permissions to spend. He stated that even with Council adopting the appropriations how are you guaranteed that purchases are not made without approvals, which is where Ms. Veloski comes. You have to have a requisition before contracting with a vendor and Ms. Veloski validates that it is a legitimate purchase. If a purchase order is not received by a vendor the city does not have to pay them. Mr. Stibich asked if Ms. Veloski checks to ensure that funds are appropriated for the expense. Ms. Veloski stated that the signature certifies the availability of funds. Mr. Stibich stated that if a department is over budget and wants to spend more Ms. Veloski cannot approve the purchase order unless Council revises the budget in order to appropriate more funds. Mr. Nogalo stated that was correct and he would come back to Council for additional budget amounts. For example, the service department director has two levels of budget, his personnel which includes salaries and fringe benefits and other category and he can move within those line items as long as he does not exceed the non-personnel expenditures that Council permitted him to spend.

Ms. Jones asked Ms. Veloski when she was employed with the State Auditor's office was there anything she looked at like cities who utilized ACH transactions. Ms. Veloski stated that when she was with the auditor's office we were not in the ACH age. She has worked for cities that do utilize credit cards. She stated that when she writes checks on Fridays they cannot be mailed until Wednesday, which means they sit for five days and risks last fees. She stated that when Home Depot or Lowes invoices come in she will pay those rather than getting a \$50.00 late fee. Ms. Jones stated that if the fire department wants to purchase a new fire truck Council would like to see that purchase order. Ms. Veloski stated that each department comes to Council to request permission for purchases. Mr. Stibich stated that each department needs their requisitions approved by Council for bigger items. Mr. Nogalo stated that state law dictates that anything over \$50,000 needs Council approval. Ms. Veloski stated that director's come to City Council for any purchases over \$2,500. Mr. Nogalo stated that \$2,500 seems low and asked if Council wanted to micro manage, he understands there should be oversight for checks and balances. Mr. Stibich stated that he liked seeing the pay ordinance when the payroll was included as it showed who was receiving overtime. Mr. Nogalo stated that if he would like to see that information he will supply it when he produces the monthly reports. Ms. Veloski stated that during the summer months when council is on recess the finance department continues to pay bills.

Mayor Graven stated that the city is still receiving legal bills from outside law firms for work completed in 2017. Mr. Nogalo stated that the Assistant Law Director/Prosecutor not only get their salaries but also their time for court appearances. Ms. Jones asked why that was not covered within their salary and asked if there was a limit. Mr. Nogalo stated that Mr. Incorvaia sent in an invoice and when he contacted him for a purchase order he was instructed to review the ordinance. On another issue there is a case that began in December who continues to bill the city for \$8,000 or \$9,000; he asked them for a purchase order. If you want to engage a law firm you negotiate, like Mayor Graven did with Walter Haverfield, you then speak with Ms. Veloski and secure the funds by establishing a purchase order. You cannot just have limitless legal fees. Mayor Graven stated that he and Mr. Bemer have spoken with this particular law firm and are attempting to reduce the fees. Mr. Stibich stated that anytime a law firm does work for a client they should give them a representation letter which indicates the work that will be performed as well as the fee. Ms. Jones asked if there were any contracts with this firm. Mayor Graven replied not that he could locate. Mr. Nogalo stated that he could refuse to pay this invoice as every vendor that deals with us should have a purchase order. Ms. Jones stated that if an appropriation was made for \$165,000 for legal fees you would not need to come back to Council for every fee. Mayor Graven stated that he is stating that when you engage an outside law firm there should be an agreement.

Mr. Stibich stated that we originally were discussing signing checks and all the reports we use to get, he always liked that Olmsted Falls was small enough where Council controlled the spending and to him it was the people looking over everything with a fine tooth comb. That all changed with the charter amendments a year and half ago Council stopped seeing payroll in their reports. It is a sign of the times, the city is getting bigger, personally it is not that big yet, but some day it will be. He stated that with what Ms. Jones brought up what oversight documentation will be used. Would we be wrong to run a report showing what is planned to be sent out through an ACH payments and have the Mayor and Council President sign off on that report? Mr. Gorski stated that would keep Council at least somewhat accountable. Ms. Jones stated that she agrees Council needs to know what is being sent out. Mr. Stibich stated that in

business world you would not only get the approval of proper authorities but designate only certain people to make those ACH transactions and those would not be the people making the decisions. Ms. Jones stated that they would have to rotate duties periodically so if there is anything outstanding it would have time to clear. Mr. Nogalo stated that Ms. Veloski handles all the payables. Ms. Jones stated that she wants reports that come from the accounting system and not something that is typed. Mr. Nogalo stated that before you can record the expense you have to make the transaction, with the checks, when they are printed that is the transaction they are just not official until signed. With an ACH you have to make the transaction first to make the expense. Now, before the year starts there is a lot of repetition like the police department they have to pay LEADS the same amount every month. We can give Council a list of the vendors that we would like to pay repetitiously, like the utilities and Republic who we pay by check \$40,000 every month and we could easily ACH that payment. He stated that Ms. Veloski had an issue last year when she wrote a check but a Council person did not want to sign it. Ms. Veloski stated that she then needed to obtain another signature, the pay ordinance was approved but she just did not want to personally sign the check.

Ms. Jones indicated when the city audit is performed would the ACH transactions be included. Mr. Nogalo stated that they would review all expenditures, does not matter what type. Mr. Nogalo stated that there would still be some vendors that are paid by check or credit card. The department will review daily any credit card purchases and must have a purchase order. A policy would need to be in place before any purchases are made. Ms. Veloski stated that a credit card would be helpful for those who have to register for training. Currently, when you register online those vendors will not wait for a purchase so employees have to utilize their personal cards and be reimbursed by the city.

Mr. Nogalo stated that Council should also review the \$2,500 limit and may want to consider \$5,000 to help lessen paper. He stated that some communities are already paperless and receive their packets through an iPad. The goal is to lessen paperwork.

Ms. Jones asked about Ahola. Mr. Nogalo stated that Friday was Mr. DeSan's last day and he attempted to train him on the old system and it was encumber some. He stated that because this was encumber some Mr. DeSan indicated that they would not make the time deadline for submitting payroll and finished the payroll. This is an old outdated system. He stated that he went to RITA to inquire if they could handle the payroll for the month of May as he will be out of the country. He stated that last Tuesday he made the decision to move to Ahola and converted over. He stated that this is not the best time to convert over to a new system, the best time is January 1<sup>st</sup> or at the end of a quarter. He had to fill out all the benefit balances and pay rates for each and every employee. Ms. Jones asked if this system was easy enough to teach an individual who could be used as a backup. Mr. Nogalo stated that he could probably teach someone in one day. Mr. Stibich asked if the time consuming part of what Mr. DeSan did the mechanics of using that system or the complexity of the time. He knows that fire fighters are famous for creative ways for figuring overtime and asked if this was some of the complexity. Mr. Nogalo replied no it is a cumbersome system and had four pages of notes just on entering time. He has used Ahola previously at another community and they handle the taxes we just have to enter the times. Ms. Jones asked what the monthly fee would be. Mr. Nogalo indicated that it is based on the number of employees and each payroll will cost between \$200 and \$300. He stated that after Mr. DeSan was finished with payroll he would

print stubs on paper, fold and place in an envelope to distribute. There will be further paper stubs each employee will receive an email indicating how to sign on to Ahola. Mr. Stibich stated that he knows that some systems also let you access you W-2. Mr. Nogalo stated that is correct you will be able to print as many W-2's as needed. He stated that this system is inexpensive. Ms. Jones asked if the charter would need to be changed. Mr. Nogalo stated not for payroll. Mr. Stibich asked if he needed approval from Council to make the conversion. Mr. Nogalo stated that each payroll will cost approximately \$300 for each payroll. We will be avoiding our bank fees as we pay for each check that is cashed, which means this fee may be a wash. He stated that he will also be looking into a new accounting system as this one is outdated and we pay RITA \$1,700 per month for the system. Mr. Stibich asked if the reporting, payroll taxes and calculations will be completed by Ahola. Mr. Nogalo stated that they will do all of that except pensions. Mr. Stibich asked if we wanted a breakdown of expenses by each department Ahola will be able to produce that report. Mr. Nogalo stated that he would have to structure that report but Ahola would give him all the parameters. For example, Ms. Mancini does not just write in 80 hours, she breaks down her time into each department. He stated that the only problem is that Ahola is not integrated with our current accounting system so at the end of each month that information will have to be inputted. He stated that there is also a human resource module so when we get new employees all those forms will be attached to their accounts. Ms. Veloski stated for example, if an employee wanted to change their tax exemption would they do that through Ahola or still through finance. Mr. Nogalo stated each individual could be given access but you have to be careful on the exemptions because there are penalties through the government for allowing an individual to change to their exemption to something that is not necessarily accurate. Mr. Stibich stated that there is certain documentation that has to be provided when someone claims over nine exemptions. There is also reporting that has to be completed to the IRS.

Mr. Nogalo stated that he knows that the Charter Review commission is considering changes. Ms. Jones stated that this could be considered an update/clean up issue as times are changing from manual to computerized. Mr. Stibich stated that the charter states that all checks have to be signed, it does not say that all bills have to be paid by check and also states that the finance director shall issue checks or other negotiable instruments to pay the bills. Mr. Nogalo stated that he believes this portion is outdated. Mr. Stibich suggested language to state "shall issue checks, or ACH, or credit card." Mr. Nogalo stated that the city already pays certain expenditures without checks. He stated that the County charges the city for collection of property taxes they remove that fee prior to transferring monies but we do record the expense.

### **ADJOURNMENT**

Ms. Duncan moved to **adjourn**; Ms. Jones **seconded**. Poll: 5 ayes; 0 nays. **Motion carried.**

The meeting adjourned at 7:23 p.m.

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***Lori Jones, Chairman Finance Committee***

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***Angela Mancini, Clerk of Council***