

Stevensville Special Town Council Meeting Minutes for THURSDAY,

JULY 28, 2022, 5:30 PM, 206 Buck Street, Town Hall

CONDENSED MINUTES

1. Call to Order and Roll Call

Mayor Gibson called the meeting to order, Councilmembers Barker, Michalson and Wolff were all present. Councilmember Brown arrived after roll call. (Mayor Gibson acknowledge Councilmember Brown's attendance to the meeting after public comment)

2. Pledge of Allegiance

3. Public Comments (Public comment from citizens on items that are not on the agenda)

NONE

4. New Business

a. Discussion: Fraud Examination Report Presented by Chief Mac Sosa

Mayor Gibson: introduced new business item a to the council. (The fraud report will be part of the minutes of this meeting.) There was no comment from the council. There was no comment from the public.

b. Discussion/Decision: Recommendations given to Town Council from the Fraud Examination Report

Mayor Gibson: introduced new business item b to the council. Chief Mac Sosa read to the council the recommendations that were presented to the council, recommendations were made from the fraud examination report. (The list of recommendations will be a part of the minutes of this meeting.)

Mayor Gibson: To follow up on that I have a couple more, in regard to the Human Resource Officer, we are going to recommend, we have an existing position and another existing position that is not filled and we are going to rewrite that job description with different qualifications, it is not going to cost any more money, the money is already in the budget, what that would do is that person, that check and balance, would actually be a finance officer, grants. Pam's position is becoming overwhelming, payroll, claims and human resources. Just for your information on July 11th I received a letter from Strom that used to do the audit and they are canceling their contract and we need to put out an RFP for an audit and one of the reasons and it goes back, you might have received this information from Pam, it goes back as far as April of 20. No financial records have been reported to the state we have been fined and we are working with the state, and we are close to correcting that. We hope that we can take care of that, my goodness April of 2020 that is one reason Strom & Associates, we talked to them they might be interested again, depending on how the RFP goes. I talked to Pam again today and talking to the other auditor we have; we are close to correcting that. So that should take those fines away. That is why we are looking at a financial person. As far as the credit cards go, Mac was exactly right, the first day I was here I ripped mine up. I don't have a credit card, there is no reason that

I have a credit card. I approve purchase orders beyond a certain amount it is up to the department heads as Mac said there were credit cards all over the place and now it is only department heads and the clerk. So, with that I am going to go to public comment and council discussion.

PUBLIC COMMENT

Mayor Gibson: Seeing none. Council discussion on the recommendations.

Councilmember Michalson: I am on board with all of these recommendations I would also like to add one and that would be that we look at changing to a charter system. I would personally like to see the tie breaking vote taken away from the mayor. When I was on the council in 2020, we voted two against and two for the budget to raise the salary for the mayor 100% and we can't let that happen again. I think with a charter we can have an extra at large councilmember so that way we don't have the mayor break a tie.

Mayor Gibson: along with that, we haven't found it, it is supposed to be done every ten years. I don't think that it had been done, it goes to a vote of the public, not just a council issue, it would go to the vote of the public. Next month is going to be very busy with budgets. After this I will be looking for a volunteer from the council to join myself, Pam and possibly the town clerk to work through our personal policy, purchasing policy and council rules. To be really frank I have looked through some of the personal policy and they do not meet state government, they need to be changed. I wish that we could do it now. My intent is to start the budget process on August 11th. We may have to have a special meeting to accomplish that, we will go through that and when we get to the point in the budget, going along with this recommendation, we will go through it, department by department. We will have our overall what we do here, and a resolution on each department. I see the treasurer is here and the levies are due to the county on the 15th of September.

Dan Whitesitt: I am not positive.

Mayor Gibson: I think when we went to the meeting, they said September 15th. Again, let me know, because that would be our intent to have the budget done and that is your taxes, and the reason that we were going to start this earlier some other events, we are supposed to get an estimate of the revenue I think by August 5th, which gives a better idea of how much revenue we are going to have instead of just making up a number. With that I will open it up to more questions from the council.

Councilmember Wolff: I agree with tighter policies. I do like the tie breaking removal of the mayor. I think that is really important to the town council. We can't do that if there are differences of opinion there by the mayor, I think that really has to be pretty straight forward. Mr. Mayor is it okay if I make a comment on the investigation?

Mayor Gibson: as long as it is not in detail of the criminal proceedings.

Councilmember Wolff: it is not. I just want to say to all of you here and those of you that are on the streaming, the investigation was kept very private as it should be as it was concluded and forwarded to the county attorney as a town council member I am so impressed with Chief Sosa's

thoroughness and professionalism. The town owes Chief Sosa a debt of gratitude for his work. On the other hand, I am shocked by what the investigation revealed and hope that the town can recover funds that were deliberately misappropriated. And let me be very clear that the news paper article written by Mr. Howell that appeared this week indicated in the first paragraph, that this town council requested this investigation that is not correct. There has never been an agenda item or any discussion by this town council I think that other members would agree with me this was not put forward by us, this was kept private, and it is apparent in the investigation, Chief Sosa has the authority to do that and move forward with it and take it to the county attorney, it appears that there are serious charges and that is exactly what happened, thank you.

Mayor Gibson: I think that we are going to ask the paper to make those corrections. If you look at the original press release it is pretty clear that was not the case, you read all of the other articles that was not the case. I just think that time is now, whatever happens, I don't know what the results are going to be, but through Mac Sosa there needs to be some changes no matter who is here., who was here, who was here 20 years ago. Even though it is a smaller town it is becoming a lot more complicated, grants, etc. And I know that people have come down here. I don't know if you knew this, Mac Sosa, Pam Sosa and Steve Kruse take no overtime, and I can guarantee you that Mac Sosa does a lot of overtime and I know that Steve Kruse does, and I have seen Pam down here on Sundays. So, if you want to talk about fiscal responsibility and past pay outs for retirements these people are doing the town a really big favor. You can look at the payroll it is public record they get no overtime. There have been rumors out there about the investigation, how much did this cost the town? Not one penny. And if it would have gone outside and if we could have gotten somebody to do an audit on all of this, what do you think that would have cost Mac?

Chief Mac Sosa: at least \$100,000.00

Mayor Gibson: so, there you go any further discussion?

Councilmember Michalson: I was going to bring this to the other meeting, but I will say it now. You talk about fiscal responsibility I had Pam run the numbers from January through July of this year all of the claims and the amount spent was \$730, 703.00 I then went through and added up July 1, 2021, through December 31, 2021, and it was \$1, 000,053.00. so that is a difference of over \$300,000.00. Mayor, department heads, staff deserve a big kudo. By the time that the claims get to the council they are pretty much out there and spent and we will ask about them but about 9 times out of 10 we have to approve them, this is a big deal, a step in the right direction. Everyone should get a big thank you.

Mayor Gibson: I will give you a preliminary budget, obviously there will be some increases in utilities and fuel. There will be a modest raise proposed for all staff, but it will be an amount not a percentage. We have to do something with inflation, we do what we can. We really want to look at it. We do have the ARPA grant coming and that is basically going towards water storage and the leaks. BARSAs, gas tax. We will be looking at some one time only, we have some terrible streets here, Spring Street I would like you to all drive down that.

Dan Whitesitt: (from the audience) just got a message from Regina and budget numbers are due by August 20.

Mayor Gibson: Jenelle what we will do on September 8th. (Conversation back and forth with Mr. Whitesitt) by policy we have to give notice. We will have a meeting tomorrow to discuss. Call Regina tomorrow. Levies and the lighting districts. (Continued conversation with Mr. Whitesitt in the audience).

Councilmember Barker: we have a discussion/decision, are we making a motion on the recommendations.

Mayor Gibson: we did talk about this; I did not hear any issues of these recommendations. If someone would like to make a motion to follow through with the recommendations.

Councilmember Barker: I make a motion that the recommendations given to the town council for the fraud examination report.

Councilmember Michalson: 2nd.

Mayor Gibson: we have a motion and a 2nd, is there any public comment? Further discussion? Seeing none, Jenelle please call for the vote.

Councilmember Barker: aye.

Councilmember Brown: aye.

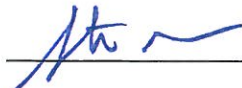
Councilmember Michalson: aye.

Councilmember Wolff: aye.

Mayor Gibson: motion passes 4-0.


5. Adjournment

APPROVE:



Steve Gibson, Mayor

ATTEST:



Jenelle S. Berthoud, Town Clerk



M. Sosa, Jr., Chief of Police
Stevensville Police Department
102 Main St. Ste D
Stevensville, Mt. 59870

To: Steve Gibson, Honorable Mayor, and the Town of Stevensville Town Council

From: M. Sosa, Jr., Chief of Police, Certified Fraud Examiner

Re: Examination of Potential Asset misappropriation

Date: 07/26/2022

I: Background

On January 27, 2022, I, M. Sosa, Jr., received information concerning separation pay (Severance Pay) that was paid out to five (5) individual employees upon their separation from employment with the Town of Stevensville.

Based upon this initial predication, a fraud examination was conducted, which included reviews of relevant records and interviews of appropriate individuals.

II. Executive Summary

The fraud examination commenced when it was discovered that Severance Pay was paid out to five (5) individual employees at the time of their separation from employment with the Town of Stevensville. At the time, Brandon Dewey was acting as the Financial Officer for the Town of Stevensville and was making the payroll for all employees.

I reviewed payroll for all Town of Stevensville employees and determined that the five (5) employees were the only individuals to receive this form of payment. Additionally, I found that the Attorney General for the State of Montana had previously entered a legal opinion that indicated that Severance Pay is not recognized in the State of Montana.

What was additionally discovered during the review of employee payroll was several other discrepancies that would require an entire review of both payables and receivables for the Town of Stevensville.

III: Scope

The objective of the Fraud investigation was as follows:

- Determine the existence of possible misappropriation of assets of The Town of Stevensville. The examination is predicated on separation pay (severance Pay) that was paid out to five (5) employees upon their separation from employment with the Town of Stevensville.

IV: Approach

Fraud Examination Team Members

M. Sosa, Jr., CFE

Procedures

As part of the examination of this matter, the Team took the following actions:

- A review of the separation pay (Severance Pay) for five (5) employees
- A review of Pay Rosters dating back to 2017
- A review of Vendors dating back to 2017
- A review of previous audits dating back to 2017
- A review of Bank Statements dating back to 2017
- A review of Claims for the Town of Stevensville dating back to 2017
- A review of Credit Card Statements for the Town of Stevensville dating back to 2017
- A review of pay notifications dating back to 2017
- A review of Brandon Dewey's pay dating back to 2017
- A review of Minutes and Agendas Concerning Brandon Dewey's Pay
- A review of the Outside Investigative Report concerning a claim submitted by Brandon Dewey
- A review of the Town of Stevensville Water Billing
- A review of the TIF Fund
- A review of the Lighting District Funds.
- A review of the Audit Report of the Stevensville Police Department reporting system

Individuals Interviewed: Individuals were interviewed in person by M. Sosa, Jr.

Sixteen individuals were interviewed during this fraud examination. Each individual revealed information that was relevant to the investigation. The names of these individuals will remain withheld from this Fraud Report for the integrity of the investigation that was turned over to the appropriate authorities.

V. Findings

Based on the documents reviewed, information collected, and interviews conducted during the fraud examination, the Team finds as follows:

Did the Fraud Examination Team determine the existence of a misappropriation of assets of the Town of Stevensville?

Yes, the documents, information reviewed, and interviews conducted by the Fraud Examination Team during the examination indicates that Brandon Dewey, did knowingly misappropriate funds to five (5) employees in the form of Severance Pay. This caused the Town of Stevensville to pay an additional \$50,000 in unemployment compensation because of this Severance Pay that was added onto the normal payroll. Brandon Dewey caused himself to be overpaid funds by changing his pay periods from the beginning to the end of the month and to a bi-weekly pay schedule. That Brandon Dewey caused the Town of Stevensville a loss of \$12,020,20 for almost a four-month period by processing a claim paid out to his Attorney without Council approval, and the funds were only repaid to the Town of Stevensville after being instructed to do so by the then Town Attorney Scott Owens.

Other losses to the Town of Stevensville were identified in various forms and cannot be revealed at this time to not compromise the integrity of pending criminal litigation. However, the additional losses identified have been documented and reported to the appropriate authorities.

VI: Summary

This report reflects that Brandon Dewey, a Former Mayor with the Town of Stevensville, in his capacity as a Public Servant did not maintain his fiduciary responsibility to guard the assets of the Town of Stevensville.

Information is corroborated by the documentary evidence and the interviews of other witnesses corroborate the remaining portion of this investigation as described herein.

VII. Impact to the Town of Stevensville

Over the course of four years as Mayor of the Town of Stevensville, Brandon Dewey misappropriated funds. Total restitution to the Town of Stevensville would be in the amount of \$48,156.56, which is not including the loss of the additional \$50,000 that the Town of Stevensville was responsible for in unemployment insurance.

Additional amounts were lost due to poor/loose controls of the Town Credit Card and have not been calculated in the above mentioned restitution amount.

It should further be noted that no overtime expenses were incurred as a result of this investigation and all costs were absorbed during the employees' normal work schedule. In the case of salaried employees, no additional compensation was offered in addition to the yearly salary amount. Had an investigation of this magnitude been performed as a forensic audit by an outside firm, the cost to the Town of Stevensville very well would have exceeded \$100,000.00

End Report

VIII: Recommendations

This fraud examination was conducted in collaboration with the Stevensville Police Department, and the investigation has been formalized into a more thorough police report with attachments, which have been forwarded to the appropriate authorities for possible criminal prosecution.

This full review of payables and receivables call for measures to prevent this from occurring in the future.

1. Tighter controls of the Town Credit Card – Previously every town employee had a credit card, and the possibilities of abuse were endless. This has since been corrected and only Department Heads have a town credit card. Additionally, each Department Head is responsible for supplying Purchase Orders with each receipt of purchases made.
2. It is recommended that the policy concerning food purchases be adhered to.
3. Keep/maintain the practice of purchase orders. Purchase orders identify the purpose of a purchase and connect that purchase to a specific department within the Town
4. Tighter controls of usernames and passwords. Previously it was a practice that usernames and passwords could/would be shared by employees. This practice is being eliminated.
5. Tighter controls of Payroll – Two factor authentication is being practiced with two actual individuals, instead of one individual inputting payroll and then logging in as a different user to verify payroll.
6. It is recommended that at least quarterly a roster of vendors be provided to Town Council and the Mayor for proper monitoring of additional vendors.
7. It is recommended that Town Policy be adhered to concerning payout at time of separation for all employees, including part-time and seasonal.
8. It is recommended that all fiscal matters be presented to Town Council during the Budgetary Process regardless of changes from the previous budget cycle.
9. It is recommended that separate yearly resolutions be made on each separate financial matter regardless of a change from the previous budget cycle.
10. It is recommended that Town Council entertain a separate motion and vote on each separate fiscal matter.
11. It is recommended that a separation of duties be implemented. Too much power and authority rests in the office of Director of Finance and Human Resources. The individual in this position is expected to perform the functions of payroll, PERS, Workman's Compensation, claims, monthly balancing, insurance claims, audit preparation, grant oversight, onboarding, separating

employees, etc....

All these duties have rested in one individual and when this individual was absent or the position was vacated, checks and balances were lacking. For this very reason it is imperative that a separation of powers and duties be done, and it is recommended that an additional person be hired at either full or part time status. The monthly reconciliation had not been done in excessive of two years, which is another indicator of why it is imperative to make this correction by having two individuals responsible for the duties of this one office.