

1. BET Audit Comm. Meeting Document

Documents:

[FINAL\\_BET\\_AUDIT\\_COMM\\_MEETING\\_MINUTES\\_02-09-06.PDF](#)

**TOWN OF GREENWICH  
AUDIT COMMITTEE MEETING  
MINUTES  
THURSDAY, FEBRUARY 9, 2006  
GISBOURNE ROOM, 7:45 A.M.**

Present: Robert Stone, Chairman; James Himes, Larry Simon, Leslie Tarkington,  
Members of the BET Audit Committee

Staff: Peter Mynarski; Comptroller; Ed Gomeau, Town Administrator; Chris DeMeo, Risk  
Management Director; Jim Lavin, Retirement Plan Administrator; Ron Lalli, Internal  
Auditor

Other: Scott Bassett, Partner, McGladrey & Pullen, Town of Greenwich Auditors

The meeting was called to order at 7:45 A.M.

Review Town's CAFR for FY ended 6/30/05

Mr. Stone began the meeting by asking Scott Bassett to provide an overview of the  
audit.

Mr. Bassett stated that his firm had issued a clean, unqualified opinion of the  
statements, schedules and reports for the year ended 6/30/05. There are no major audit  
issues of which the Committee need be made aware. Members of the Committee asked  
questions concerning a variety of areas including:

1) OPEB, including eventual establishment of a trust for this fund.

Mr. Bassett observed that most municipalities have not advance funded or put assets  
aside to pay future liabilities. Greenwich is one of the few municipalities in the state that  
has done that. There is still a major step to take before full compliance is met, but in  
terms of funding, Greenwich leads most other municipalities.

2) Assumptions and estimates relating to legal claims, allowance for doubtful accounts,  
actuarial reports and IBNR.

3) Encumbrances and lapses or open accounts.

Mr. Himes asked if there is a policy that other municipalities employ that is automatic or  
would it be discretionary on the part of management. Typically, every September, if  
there is an encumbrance as of June 30th, that hasn't been spent through September  
15<sup>th</sup>, it is examined as to why, and if there is no reason for it, it would lapse and go into  
the fund balance.

#### 4) Pension Trust Funds

Mr. Himes suggested getting a breakdown of administrative costs associated with fees.

#### 5) Various footnotes.

Mr. Bassett stated that during the course of the audit, no disagreements were encountered with management, no major issues were discussed and no management advisory services were performed during the year.

Mr. Bassett indicated that Finance and all town departments had been responsive and fully cooperative.

The Committee then met privately with Mr. Bassett, and Mr. Stone has indicated for the record that nothing came to light during that meeting which in any way altered what Mr. Bassett had stated earlier, or was in any respect in conflict with the firm's opinion letters.

Upon a motion by Ms. Tarkington, seconded by Mr. Himes, the Committee voted 4-0-0 to accept the report as presented and present it to the rest of the BET.

#### Investment Management by Retirement Board

Mr. Stone provided background for the record. The Retirement Board had met and decided to terminate their relationship with Frontier Capital late last fall. In his opinion, this was a well implemented process and carefully thought out decision, based on what was considered poor performance relative to a benchmark and management changes within the firm. Although advised of the termination, Frontier remained in place, with discretionary authority over the approximately \$15 million in assets at year end. The proposed replacement manager, Buckhead, was not yet in place because their contract was under review by the Law Department. Mr. Stone felt that the Retirement Board should have been more proactive in removing the authority of Frontier at the time that Frontier was advised of the intent to terminate the contract. He had shared his concerns with Peter Tesei, who agreed that the subject should be pursued with Michael Pagliaro, Chair of the Retirement Board. After there was no response to an email to Mr. Pagliaro concerning the subject, Mr. Tesei and Mr. Stone were in accord that the subject be by the Audit Committee. Mr. Stone added that Mr. Pagliaro had been advised of and invited to this meeting.

Mr. Stone stressed the potential risks to the town, indicating that he had received confirmation of this concern from several of his acquaintances who are knowledgeable concerning the investment management area in general and pension fund investing in particular. He asked for the Committee's input on a course of action. Discussion followed, during which Mr. Simon indicated that he was unsure of the Committees authority or ability to act on this issue. He suggested putting this item on the agenda for the Retirement Board, then presenting to the full BET.

Mr. Gomeau suggested that the liaisons should go to the Retirement Board with their concerns, and if necessary come back to the full BET

Mr. Himes urged the Committee to bring this to the Retirement Board as soon as possible.

There was general agreement that Mr. Stone and Mr. Simon should try to meet with Mr. Pagliaro or the Retirement Board at the earliest possible time and then schedule a special meeting of the Audit Committee to review the results.

Review of the minutes from January 12, 2006

Upon a motion by Mr. Simon, seconded by Ms. Tarkington, the Committee voted 4-0-0 to accept the minutes from January 12, 2006.

There being no further business, upon a motion by Mr. Himes, seconded by Mr. Simon, the Committee voted 4-0-0 to adjourn at 10:33 A.M.

Respectfully Submitted,

---

Valerie Zebrowski, Recording Secretary

---

Robert Stone, Chairman