

1. Meeting Agenda - February 11

Documents:

[MEETING AGENDA - FEBRUARY 11.PDF](#)

2. Minutes Subject To Approval - February 11

Documents:

[MINUTES SUBJECT TO APPROVAL - FEBRUARY 11.PDF](#)

3. Approved Minutes - February 11

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[APPROVED MINUTES - FEBRUARY 11.PDF](#)



**TOWN OF GREENWICH
BOARD OF ESTIMATE & TAXATION**

**AUDIT COMMITTEE MEETING
Thursday, February 11, 2016
8:00 A.M.
Gisborne Room**

AGENDA

1. Approval of the BET Audit Committee Meeting Minutes of January 14, 2016
2. Insurance Market Preview Presented by Frenkel & Co.
3. The Nathaniel Witherell Budget Discussion; Fringe Benefits and In-Kind Services Charges
4. Risk Management Report
 - Update on Insurance Recoveries
 - Update on Safety Inspections – Fleet Department
 - FEMA Update
5. Internal Audit Report
 - Annual Internal Audit Review of Motor Vehicle Records of Town Employees
 - Update on Internal Audit of Town Leases
6. New Business
7. Old Business
8. Items for Future BET Audit Committee Meetings
9. Adjournment

BOARD OF ESTIMATE AND TAXATION
Audit Committee Minutes
Thursday, February 11, 2016 – 8:00 A.M.
Gisborne Conference Room

Present

Committee: Arthur Norton, Chairman; John Blankley, Michael Mason, Jill Oberlander

BET Members: James Lash, BET Budget Committee Chair; Jeffrey Ramer, BET Member

Attendees: Peter Mynarski, Comptroller; Ron Lalli, Director Risk Management; Pat Maranan, Internal Auditor; Allen Brown, Executive Director, Nathaniel Witherell; Christopher Alexander, Director of Financial Operations, Nathaniel Witherell; Larry Simon, Chairman, Nathaniel Witherell Board; Jose Irizarry, Sr. V.P., Frenkel & Co.

The regular meeting was called to order at 8:02 A.M.

1. Acceptance of Audit Committee Minutes:
• **Audit Committee Meeting January 14, 2016**

Upon a motion by Mr. Blankley, seconded by Mr. Mason, the
Committee voted 4-0 to accept the January 14, 2016 Meeting Minutes.

2. Insurance Market Preview Presented by Frenkel & Company

Mr. Irizarry presented a preview of the Town's program, the current status of the marketplace, and preparation of most renewals due June 30, 2016. Starr Indemnity, the major liability carrier for the Town, is exiting the municipal market. Mr. Irizarry will investigate options for the Town to replace them.

Other carriers providing Town coverages are Navigators Insurance, Arch Specialty and Berkley National was detailed. Criminal/fiduciary, marine and cyber liability coverages were discussed. Mr. Irizarry recommended the current carrier, AIG, to conduct an evaluation of the cyber liability policy to ensure adequate coverage. General and professional liability coverage for Nathaniel Witherell is in place with Lexington Insurance.

Mr. Lalli noted a current surplus of \$465,000 (four hundred, sixty five thousand dollars) in the fixed charges insurance accounts partly to Mr. Irizarry's diligent work to control premiums.

3. The Nathaniel Witherell Budget Discussion; fringe Benefits and In-Kind Services Charges

Mr. Norton stated that the BET determines how Town Budgets are prepared. The external auditors identified a \$5,000,000 (five million dollar) to \$6,000,000 (six million dollar) liability, however they were not highlighted in the Management Letter. A change in methodology is needed to be proposed to the BET. Mr. Mynarski explained that Nathaniel Witherell (NW). in-kind service charges are generated by Finance, HR, IT, Law and Purchasing departments. Mr. Norton stated that the current revenue structure cannot absorb these liabilities. In-kind services and retirement costs should be included in the Town Budget, not NW. The fund balance should be used to eliminate this accumulated loss. Since the Audit Committee recommended initially the enterprise fund structure, this Committee should propose a remedy to modify. Mr. Brown

added that the current process preceded his employment over seven years ago when the charges totaled \$300,000 (three hundred thousand dollars). The amount has increased to \$1,200,000 (one million, two hundred thousand dollars). The largest increase in these charges is the IT allocation for 96 (ninety six) computers.

These service costs must be reported to the State to calculate benefit reimbursement from Medicaid and it is not charged against the profit and loss statement. NW has exceeded the limit of State reimbursement.

The Committee discussed the options to simplify funding for the Town to include NW's in-kind service charges in the Town's Budget or to simply fund the short fall at the end of each fiscal year. Ms. Oberlander stressed the fact that these charges are accrued costs, allocated to a Town department. NW should be acknowledged as such and report these costs.

Upon a motion by Ms. Oberlander, seconded by Mr. Blankley, the Committee voted 4-0 to allocate in-kind costs (Finance, HR, IT, Law and Purchasing) for the purpose of the Budget presentation be treated the same as all other Town departments, with the exception of BOE State funding.

Mr. Simon requested for the Committee to propose a proper fringe benefit for the normal cost for the defined benefit plan. Mr. Mason noted that some external entities (golf course, sewer maintenance, school lunch fund, etc.) do not receive fringe benefit allocation (healthcare, pension). Mr. Lash stated that the Budget Committee would like for NW, like other revolving fund departments, to have their profit and loss reflect their normal pension fund cost.

Upon a motion by Mr. Mason, seconded by Mr. Blankley, that all departments revise budgets to remove total amortization of unfunded actuarial accrued liability and to move same to a line item in fixed charges for fiscal 2017.

Ms. Oberlander proposed to amend the motion to apply, only to the NW Budget, knowing it creates a potential inconsistency since she hasn't had the opportunity to review the other funds and their implications. She stated that she is not comfortable voting on this motion. No second.

A discussion followed regarding the impact of this proposal on other departments.

Ms. Oberlander proposed to re-make her amendment to the motion, to limit this change to NW till the Committee has the opportunity to review other departments and this proposal's impact. No second.

Mr. Mason's motion, second by Mr. Blankley, to approve and recommend to the BET that all departments revise budgets to remove total amortization of unfunded actuarial accrued liability and move it to a line item in fixed charges for fiscal 2017 was approved 3-1. (Ms. Oberlander opposed.)

Mr. Simon warned of a possible allocation discrepancy between his numbers and the Budget Director's. Mr. Lash noted the improved quality and clarity of the Town's financial publishing over the years, which provides helpful information to the public.

4. Risk Management Report

- **Update on Insurance Recoveries**

The quarterly report of historical recoveries was reviewed. Year-to-date total for fiscal 2016 is \$189,467 (one hundred eighty nine thousand, four hundred sixty seven dollars). A total of \$3,729,846 (three million, seven hundred twenty nine thousand, eight hundred forty six dollars) has been recovered from 100 (one hundred) insurance and FEMA claims since 2013. \$56,153 (fifty six thousand, one hundred fifty three dollars) in claims is currently outstanding.

- **Update on Safety Inspections – Fleet Department**

A safety survey by Applied Risk was presented. The survey evaluates the current status of the General Liability risks at the Fleet Department. The review was performed January 12, 2016 by Harry Mirijanian, President of Applied Risk with the assistance of the Risk Manager, Jay Domeseck, Fleet Director and Al Monelli, Superintendent of Building Maintenance. The cost of such inspections is approximately \$1,000 (one thousand dollars) per inspection with a fully written report.

The facility received an overall control rating of “AVERAGE”. Improved shop signage, door handles, staircase installation at the rear of the building, overhead vehicle exhaust systems testing, storage considerations, installation of security gate and fence repairs were recommended. While Mr. Lalli is a proponent for a security gate the final solution will require further discussion with the involved parties.

- **FEMA Report Update**

Mr. Lalli and Ms. Maranan had a lengthy conversation with both State and Federal FEMA officials to resolve open issues and to expedite the remaining portion of the claims for the Hurricane Sandy Project Worksheets. FEMA recovery is a grant and that with any grant there are stipulations. The most overriding important FEMA stipulation is the requirement that a municipality buy property insurance for any building and personal property assets that can be insured. For the Town this would be the Town’s buildings nearest the shoreline. Per conversation with FEMA, Mr. Lalli felt assured that the current Town’s property insurance program was more than adequate to obtain compliance with the grant provisions. FEMA does not stipulate a maximum property insurance deductible that cannot be exceeded.

Ms. Maranan stated that two worksheets remain open. Island Beach’s sun shelter will be completed by the end of spring and the Marine Division estimates completion of the rip rap restoration at Captain’s Island by May 2016. A credit payment of \$93,000 (ninety three thousand dollars) is anticipated by June 2016.

5. Internal Audit Report

- **Annual Internal Audit Review of Motor Vehicle records of Town Employees**

The report addresses the process taken to reduce auto liability exposure while improving employee safety. Since the implementation of the Permitted to Drive List, with data provided by CT and NY DMVs, recorded violations have dropped. The previous year’s total was 123 (one hundred twenty three) and it is 110 (one hundred ten) this year. Driving records are recorded and a risk category is assigned to all 1,488 (one thousand, four hundred, eighty eight) employees permitted to use Town vehicles. Violations, driver risk profiles and suspended licenses of the Town’s driving pool were reviewed.

Mr. Mason and Mr. Lalli expressed concern regarding the lack of driver history screening prior to hire and HR's participation in this process. Mr. Mason recommended that "borderline" drivers be notified of their assigned risk category and its ramifications.

- **Update on Internal Audit of Town Leases**

No report.

6. New Business

None.

7. Old Business

None.

8. Items for Future BET Audit Committee Meetings

In March the Committee will recommend RSM McGladrey for fiscal 2016, for the final year of their five year contract as external auditor for the TOG. In April charge-offs will be addressed. In May 2016 the Committee will meet in Executive Session with RSM McGladrey.

9. Adjournment

Upon a motion by Mr. Blankley, seconded by Ms. Oberlander, the Committee voted 4-0 to adjourn the meeting at 10:55 A.M.

The next meeting of the Committee is scheduled for March 10, 2016 at 8:00 A.M. in the Gisborne Conference Room.

SUBJECT TO APPROVAL

Arthur D. Norton, BET Audit Committee Chairman

Elaine JV Brown, Recording Secretary

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Mr. Simon requested for the Committee to propose a proper fringe benefit for the normal cost for the defined benefit plan. Mr. Mason noted that some external entities (golf course, sewer maintenance, school lunch fund, etc.) do not receive fringe benefit allocation (healthcare, pension). Mr. Lash stated that the Budget Committee would like for NW, like other revolving fund departments, to have their profit and loss reflect their normal pension fund cost.

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Arthur D. Norton, BET Audit Committee Chairman



Elaine JV Brown, Recording Secretary