

1. BET Audit Comm. Meeting Documents

Documents:

[APPROVED_BET_AUDIT_COMM_MEETING_MINUTES_10-11-12.PDF](#)
[BET_AUDIT_COMM_MEETING_AGENDA_10-11-12.PDF](#)
[SUB_TO_APP_BET_AUDIT_COMM_MEETING_MINUTES_10-11-12.PDF](#)

BOARD OF ESTIMATE AND TAXATION
Audit Committee Special Meeting Minutes
Thursday, October 11, 2012 – 8:00 A.M.
Gisborne Conference Room

Present:

Committee: Arthur Norton, Chairman
Robert Brady, Sean Goldrick, Gregory Bedrosian

Attendees: Peter Mynarski, Comptroller; Ron Lalli, Risk Manager; Patricia Maranan, Internal Auditor; John Wayne Fox, Esq., Town Attorney; Joan Sullivan, Director of Purchasing & Administrative Services

The meeting was called to order at 8:01 A.M.

1. Approval of Minutes BET Audit Committee Meeting September 13, 2012

The Committee indicated that the word "Special" did not apply to these minutes. The Committee decided to delete the last sentence on page three, fifth paragraph "*A lengthy conversation resulted in permission being given for the Board of Trustees to review the document.*" and a spelling correction to an attendee's last name.

Upon a motion by Mr. Brady, seconded by Mr. Norton, the Committee voted 3 - 0 to approve the amended September 13, 2012 Minutes.

2. Internal Audit Report

• **GCTV Audit Report**

Mr. Lalli reviewed the updated "*Internal Audit: Greenwich Community Television Equipment Asset Inventory Review*" which included additional language requested by the Audit Committee explaining the accounting mechanisms for the equipment purchased by the Town for the benefit of GCTV. This report was originally presented at the September Audit Committee meeting. Mr. Lalli repeated his recommendation for the Town to initiate a fixed asset tagging system for all equipment used in the GCTV effort and for periodic record audits to be conducted. He explained the Town acquires equipment either directly through the Town's accounting system or by equipment donations from the Area 9 Cable Council. He explained that some purchases made through the Town's accounting system are reimbursed through a grant process with Area 9 Cable.

He concluded that the First Selectman's Office concurred with the Audit's recommendation. Mr. Lalli requested the Committee to approve the report for submission to the full BET.

Upon a motion by Mr. Brady, seconded by Mr. Bedrosian, the Committee voted 4-0 to accept the *Internal Audit: Greenwich Community Television Equipment Asset Inventory Review*, and recommend for it to be presented to the full BET.

• **BOE Student Activity Funds Audit**

As of June 30, 2012 the BOE maintains 330 (three hundred thirty) separate student activity funds with a cash balance of \$556,118 (five hundred fifty six thousand one hundred eighteen dollars). Student Activity Funds sources of revenue include fund raising activities and donations, are not funded through the regular BOE's District Operating Budget. The accounts are maintained at the schools and are considered town accounts. The funds are used to support

school activities for athletic sports, musical clubs, academic organizations, school trips, graduation classes, the school yearbook and general interest. Mr. Lalli explained that the actual processing of data is done by three Student Activity Account Clerks, one assigned to the Greenwich High School. The other two clerks maintain the three middle school accounts, as well as the District Account.

Mr. Lalli detailed eight recommendations to the BOE and their responses contained within the report.

1. To enhance internal controls the BOE should consider rotating the Student Activity Fund Account Clerks responsibilities on a periodic basis. The BOE will consider this recommendation for possible execution for FY 2013 – 2014. R. Lalli stated that Mr. Branyan, BOE, Managing Director of Operations, has written a comprehensive standard operating procedure for processing student activity funds but that internal controls are compromised by the fact that so much accounting responsibilities are assigned to the account clerks. He explained that a rotation policy is one of the traditional methods that organizations use to monitor activities that are vested in one individual. It is difficult to maintain controls without a rotation in place. Mr. Norton requested a schedule of rotation that the BOE would be using when implemented. Mr. Lalli responded by stating that he would follow up to ascertain if a rotation has actually occurred with Fiscal 2014.
2. Mr. Lalli stated that the next two recommendations are Administrative Credit operations. Documentation of the receipting process was inconsistent among the Student Activity Funds and that the Eastern
3. and Western Middle School Student Activity Accounts should have a separate account for sales tax due to the CT Department of revenue Services. The BOE agreed with both endorsements.
4. The BOE should consider reestablishing the check scanner at the Greenwich High School. Scanner fees were discussed with Mr. Brady questioning whether lower scanner fees may be available through another banking institution. Mr. Lalli stated that the BOE is currently looking into the possibility of utilizing different banking institutions but reiterated that justification is currently available to reinstate the scanner at the High School with the current banking institution.
5. The BOE should consider separating the Student Activity Accounts to provide for greater FDIC coverage while providing for greater flexibility to pursue lower bank charges. Mr. Lalli continued that starting January 1, 2013 individual deposit accounts will only be insured for \$250,000 (two hundred fifty thousand dollars). A discussion followed to possibly use the Greenwich Credit Union for accounts with low rates of return there by decreasing bank charges. Mr. Norton disagreed and requested for it to be removed from the report. Mr. Lalli stated that he would eliminate the direct reference to the Credit Union but that the recommendation, which refers to any alternative institution that offers lower fees, would remain as written.
6. Eastern Middle School – All void checks should be listed on the disbursement journal. The BOE agreed.
7. The Student Activity Disbursement Voucher, required by BOE's Standard Operating Procedure (SOP) to initiate all expenditures, did not always contain an authorizing signature. The BOE will immediately implement this process.

8. Mr. Lalli explained his Title IX observations. Title IX was enacted in 1972 as a comprehensive federal law that prohibits discrimination based on sex in any federally funded education program or activity. Greenwich High School's Title IX fund, as of June 30, 2012, had a balance of \$19,991 (nineteen thousand nine hundred ninety one dollars). He continued that that according to the SOP the only way to disburse these funds is by request from a fund advisor to aide in the funding of an officially sponsored BOE trip. Since no such request has been made in the past four years, the Internal Audit Department is recommending that some other mechanism be considered to disburse the funds. Mr. Lalli further recommended that the Law Department be contacted to see if the funds can possibly be used for other activities. Mr. Norton stated that he would prefer the usage of the word "anticipate" contact with the Law Department instead of "recommend". Mr. Lalli agreed and further explained that this item could not be resolved without the help of the Law Department.

Mr. Goldrick questioned the carry-over balances for many activities.

Mr. Lalli stated that his observation of the decrease in disbursements and receipts in the Student Activity Funds is probably due to economic conditions and increased activities by the Booster Clubs. He explained that any research performed to determine the impact of booster clubs on the student activity funds would take an extended period and that he did not want to delay the issuance of this report before Internal Audit or the BOE undertook such an investigation. Mr. Brady and Mr. Goldrick questioned the gift policy. Mr. Lalli stated that he will alert the BOE regarding Booster Club issues that need to be addressed.

Upon a motion by Mr. Brady, seconded by Mr. Norton, the Committee voted 4-0 to accept the *"Internal Audit Report: Student Activity Funds"* as amended, and recommend for it to be presented to the full BET.

Mr. Norton recommended that this audit should be conducted every one to two years.

- **Documentation of the Police Department Vendor Permit Process**

Mr. Lalli stated that the street permit field work has been completed and that a report will be submitted to the Committee at the November 8, 2012 meeting. He acknowledged anomalies which have been discovered in the vendor permitting process so far.

- **Fire Marshal Audit Update**

Mr. Lalli indicated that he is planning to commence the Fire Marshal Audit by the end of October 2012 and will be presented at the January 2013 meeting. He anticipates the Police Department Vendor Permit Process Audit for the November 2012 meeting.

Attorney, Mr. Fox, who had joined the meeting with Ms. Sullivan stated that he and Ms. Sullivan meet to review the Purchasing Policy and the procurement procedures. He added that language to address the issue must also be included in the bid pre-qualification document. Ms. Sullivan distributed a draft of the new language to be included in the Purchasing Policy. She stated that once finalized it will be presented to Mr. Crary and Mr. Tesei in the First Selectman's Office for review. Mr. Norton requested Ms. Sullivan to share it with the Committee once finalized.

Mr. Goldrick questioned Ms. Sullivan about vendor acceptance procedures and subcontractor certification. Mr. Lalli added that the Fire Marshal reviews contracts and that subcontractor certifications are the responsibility of the contractor.

3. **Risk Management Report**

- **Tools for Schools Report**

Ms. Maranan reported the results of the Central Middle School's walk-through with Ms. Erica Mahoney, Workers' Compensation Administrator, one school custodian and one school nurse. She noted the completion of duct system cleaning and improvements made to carpeting in the Music and Art rooms. She noted only a couple capital improvements needed such as chipped paint in the Boys' Locker Room and the Auditorium.

Ms. Maranan added that walk-throughs are performed twice per year in February and October and that Julian Curtis School is scheduled for Thursday, October 25.

- **Review of Insurance Deductibles**

Mr. Lalli distributed a listing of insurance policies which highlighted individual policies that he plans to review the justification/validity of deductibles with Frenkel & Company. Mr. Norton added that they had discovered some deductible inconsistencies and had requested Mr. Lalli to assess.

Mr. Lalli announced that while performing as Risk Manager he has recorded insurance recoveries of \$353,000 (three hundred fifty three thousand dollars) with another \$27,000 (twenty seven thousand dollars) outstanding. The Committee commended him on his performance as Risk Manager.

4. Greenwich High School – Remediation Update

Mr. Norton noted that the BOE's numbers regarding the soil remediation are not up to date after reviewing Mr. Mynarski's handout. Mr. Mynarski stated that the external auditors McGladrey & Pullen had requested the numbers also and that he has contacted Ms. Siebert, Commissioner of Public Works to supply current information.

Mr. Norton requested to move to agenda item #6.

5. Fiscal June 30, 2012 External Audit Update (Agenda item # 6)

Mr. Mynarski reported that the auditors McGladrey & Pullen are ahead of schedule and are currently working on GHS Soil Remediation, the legal letter and open litigation. He stated that the following day he and the auditors will be meeting with the Law Department to review outstanding litigation and will report the findings to the Committee.

Mr. Norton questioned whether there would be a draft for the Committee next month noting that the auditors indicated this during their interview process. Mr. Mynarski replied that he should be receiving the legal letter in the next couple days and will check on delivery of the draft audit.

6. Greenwich Library Funding Policy

Mr. Norton detailed the reasoning for the revision of the Stowell Agreement. He explained his concerns regarding the expansion of the Peterson Wing and Cos Cob Library to include additional operational costs to the Town. Mr. Norton detailed the use of Major Object Codes (MOC) used by the Town to cover operating expenses. He indicated fines and fees should be received by the Town under municipal law, since tax payers are absorbing the Library's operating costs.

Mr. Norton expressed his concern that he has not received a response from his email to Nancy Better, Greenwich Library Trustee President, to articulate the Board's concerns.

Mr. Bedrosian stated that the lack of response from the Library Trustees may simply be a communication problem. Mr. Norton reiterated his directive from Mr. Mason, BET Chairman for a signed agreement between the Town and the Greenwich Library.

Mr. Goldrick expressed his preference to reconvene a working group with the Library Board to review the new document and express their concerns. He continued that he was under the impression that the Board agreed with the original Stowell Agreement last June. Mr. Norton agreed that all parties should meet to discuss the issue further.

7. Old Business Item Review

No items discussed.

8. Items for future BET Audit Committee Meetings

Mr. Lalli stated that the Continuing Education and Summer School Audits will be conducted spring of 2013 and has asked the BOE for a schedule. He said he will revise the Audit Plan for the November meeting accordingly.

Mr. Brady requested for the IT Study by Berry Dunn to be placed on the November 2012 Agenda.

Mr. Norton stated that the external auditors will be making their presentation at the December meeting.

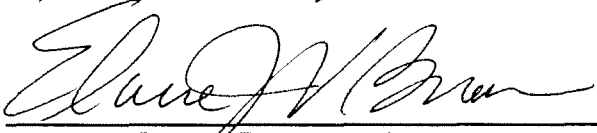
Mr. Norton stated that the external auditors will be making their presentation at the December 2012 meeting.

9. Adjournment

Upon a motion by Mr. Goldrick, seconded by Mr. Bedrosian, the Committee voted 4 - 0 to adjourn the meeting at 11:20 A.M.



Arthur D. Norton, BET Audit Committee Chairman



Elaine JV Brown, Recording Secretary



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

AUDIT COMMITTEE MEETING

Thursday, October 11, 2012

8:00 A.M.

Gisborne Conference Room

AGENDA

1. Approve BET Audit Committee September 13, 2012 Meeting Minutes
2. Internal Audit Report
 - GCTV Report
 - Student Activity Fund
 - Documentation of Police Department Vendor Permit Process
 - Fire Marshal Audit Update
3. Risk Management Report
 - Tools for Schools Report
 - Review of Insurance Deductibles
4. Greenwich High School – Remediation Update
5. Greenwich Library Funding Policy
6. Fiscal June 30, 2012 External Audit Update
7. Old Business
8. Items for Future BET Audit Committee Meetings
9. Adjournment

**BOARD OF ESTIMATE AND TAXATION
Audit Committee Special Meeting Minutes
Thursday, October 11, 2012 – 8:00 A.M.
Gisborne Conference Room**

Present:

Committee: Arthur Norton, Chairman
Robert Brady, Sean Goldrick, Gregory Bedrosian

Attendees: Peter Mynarski, Comptroller; Ron Lalli, Risk Manager; Patricia Maranan, Internal Auditor; John Wayne Fox, Esq., Town Attorney; Joan Sullivan, Director of Purchasing & Administrative Services

The meeting was called to order at 8:01 A.M.

1. Approval of Minutes BET Audit Committee Meeting September 13, 2012

The Committee indicated that the word “Special” did not apply to these minutes. The Committee decided to delete the last sentence on page three, fifth paragraph “*A lengthy conversation resulted in permission being given for the Board of Trustees to review the document.*” and a spelling correction to an attendee’s last name.

Upon a motion by Mr. Brady, seconded by Mr. Norton, the Committee voted 3 - 0 to approve the amended September 13, 2012 Minutes.

2. Internal Audit Report

• **GCTV Audit Report**

Mr. Lalli reviewed the updated “*Internal Audit: Greenwich Community Television Equipment Asset Inventory Review*” which included additional language requested by the Audit Committee explaining the accounting mechanisms for the equipment purchased by the Town for the benefit of GCTV. This report was originally presented at the September Audit Committee meeting. Mr. Lalli repeated his recommendation for the Town to initiate a fixed asset tagging system for all equipment used in the GCTV effort and for periodic record audits to be conducted. He explained the Town acquires equipment either directly through the Town’s accounting system or by equipment donations from the Area 9 Cable Council. He explained that some purchases made through the Town’s accounting system are reimbursed through a grant process with Area 9 Cable.

He concluded that the First Selectman’s Office concurred with the Audit’s recommendation. Mr. Lalli requested the Committee to approve the report for submission to the full BET.

Upon a motion by Mr. Brady, seconded by Mr. Bedrosian, the Committee voted 4-0 to accept the *Internal Audit: Greenwich Community Television Equipment Asset Inventory Review*, and recommend for it to be presented to the full BET.

• **BOE Student Activity Funds Audit**

As of June 30, 2012 the BOE maintains 330 (three hundred thirty) separate student activity funds with a cash balance of \$556,118 (five hundred fifty six thousand one hundred eighteen dollars). Student Activity Funds sources of revenue include fund raising activities and donations, are not funded through the regular BOE’s District Operating Budget. The accounts are maintained at the schools and are considered town accounts. The funds are used to support

school activities for athletic sports, musical clubs, academic organizations, school trips, graduation classes, the school yearbook and general interest. Mr. Lalli explained that the actual processing of data is done by three Student Activity Account Clerks, one assigned to the Greenwich High School. The other two clerks maintain the three middle school accounts, as well as the District Account.

Mr. Lalli detailed eight recommendations to the BOE and their responses contained within the report.

1. To enhance internal controls the BOE should consider rotating the Student Activity Fund Account Clerks responsibilities on a periodic basis. The BOE will consider this recommendation for possible execution for FY 2013 – 2014. R. Lalli stated that Mr. Branyan, BOE, Managing Director of Operations, has written a comprehensive standard operating procedure for processing student activity funds but that internal controls are compromised by the fact that so much accounting responsibilities are assigned to the account clerks. He explained that a rotation policy is one of the traditional methods that organizations use to monitor activities that are vested in one individual. It is difficult to maintain controls without a rotation in place. Mr. Norton requested a schedule of rotation that the BOE would be using when implemented. Mr. Lalli responded by stating that he would follow up to ascertain if a rotation has actually occurred with Fiscal 2014.
2. Mr. Lalli stated that the next two recommendations are Administrative Credit operations. Documentation of the receipting process was inconsistent among the Student Activity Funds and that the Eastern
3. and Western Middle School Student Activity Accounts should have a separate account for sales tax due to the CT Department of Revenue Services. The BOE agreed with both endorsements.
4. The BOE should consider reestablishing the check scanner at the Greenwich High School. Scanner fees were discussed with Mr. Brady questioning whether lower scanner fees may be available through another banking institution. Mr. Lalli stated that the BOE is currently looking into the possibility of utilizing different banking institutions but reiterated that justification is currently available to reinstate the scanner at the High School with the current banking institution.
5. The BOE should consider separating the Student Activity Accounts to provide for greater FDIC coverage while providing for greater flexibility to pursue lower bank charges. Mr. Lalli continued that starting January 1, 2013 individual deposit accounts will only be insured for \$250,000 (two hundred fifty thousand dollars). A discussion followed to possibly use the Greenwich Credit Union for accounts with low rates of return there by decreasing bank charges. Mr. Norton disagreed and requested for it to be removed from the report. Mr. Lalli stated that he would eliminate the direct reference to the Credit Union but that the recommendation, which refers to any alternative institution that offers lower fees, would remain as written.
6. Eastern Middle School – All void checks should be listed on the disbursement journal. The BOE agreed.
7. The Student Activity Disbursement Voucher, required by BOE's Standard Operating Procedure (SOP) to initiate all expenditures, did not always contain an authorizing signature. The BOE will immediately implement this process.

8. Mr. Lalli explained his Title IX observations. Title IX was enacted in 1972 as a comprehensive federal law that prohibits discrimination based on sex in any federally funded education program or activity. Greenwich High School's Title IX fund, as of June 30, 2012, had a balance of \$19,991 (nineteen thousand nine hundred ninety one dollars). He continued that that according to the SOP the only way to disburse these funds is by request from a fund advisor to aide in the funding of an officially sponsored BOE trip. Since no such request has been made in the past four years, the Internal Audit Department is recommending that some other mechanism be considered to disburse the funds. Mr. Lalli further recommended that the Law Department be contacted to see if the funds can possibly be used for other activities. Mr. Norton stated that he would prefer the usage of the word "anticipate" contact with the Law Department instead of "recommend". Mr. Lalli agreed and further explained that this item could not be resolved without the help of the Law Department.

Mr. Goldrick questioned the carry-over balances for many activities.

Mr. Lalli stated that his observation of the decrease in disbursements and receipts in the Student Activity Funds is probably due to economic conditions and increased activities by the Booster Clubs. He explained that any research performed to determine the impact of booster clubs on the student activity funds would take an extended period and that he did not want to delay the issuance of this report before Internal Audit or the BOE undertook such an investigation. Mr. Brady and Mr. Goldrick questioned the gift policy. Mr. Lalli stated that he will alert the BOE regarding Booster Club issues that need to be addressed.

Upon a motion by Mr. Brady, seconded by Mr. Norton, the Committee voted 4-0 to accept the *"Internal Audit Report: Student Activity Funds"* as amended, and recommend for it to be presented to the full BET.

Mr. Norton recommended that this audit should be conducted every one to two years.

- **Documentation of the Police Department Vendor Permit Process**

Mr. Lalli stated that the street permit field work has been completed and that a report will be submitted to the Committee at the November 8, 2012 meeting. He acknowledged anomalies which have been discovered in the vendor permitting process so far.

- **Fire Marshal Audit Update**

Mr. Lalli indicated that he is planning to commence the Fire Marshal Audit by the end of October 2012 and will be presented at the January 2013 meeting. He anticipates the Police Department Vendor Permit Process Audit for the November 2012 meeting.

Attorney, Mr. Fox, who had joined the meeting with Ms. Sullivan stated that he and Ms. Sullivan meet to review the Purchasing Policy and the procurement procedures. He added that language to address the issue must also be included in the bid pre-qualification document. Ms. Sullivan distributed a draft of the new language to be included in the Purchasing Policy. She stated that once finalized it will be presented to Mr. Crary and Mr. Tesei in the First Selectman's Office for review. Mr. Norton requested Ms. Sullivan to share it with the Committee once finalized.

Mr. Goldrick questioned Ms. Sullivan about vendor acceptance procedures and subcontractor certification. Mr. Lalli added that the Fire Marshal reviews contracts and that subcontractor certifications are the responsibility of the contractor.

3. Risk Management Report

- **Tools for Schools Report**

Ms. Maranan reported the results of the Central Middle School's walk-through with Ms. Erica Mahoney, Workers' Compensation Administrator, one school custodian and one school nurse. She noted the completion of duct system cleaning and improvements made to carpeting in the Music and Art rooms. She noted only a couple capital improvements needed such as chipped paint in the Boys' Locker Room and the Auditorium.

Ms. Maranan added that walk-throughs are performed twice per year in February and October and that Julian Curtis School is scheduled for Thursday, October 25.

- **Review of Insurance Deductibles**

Mr. Lalli distributed a listing of insurance policies which highlighted individual policies that he plans to review the justification/validity of deductibles with Frenkel & Company. Mr. Norton added that they had discovered some deductible inconsistencies and had requested Mr. Lalli to assess.

Mr. Lalli announced that while performing as Risk Manager he has recorded insurance recoveries of \$353,000 (three hundred fifty three thousand dollars) with another \$27,000 (twenty seven thousand dollars) outstanding. The Committee commended him on his performance as Risk Manager.

4. Greenwich High School – Remediation Update

Mr. Norton noted that the BOE's numbers regarding the soil remediation are not up to date after reviewing Mr. Mynarski's handout. Mr. Mynarski stated that the external auditors McGladrey & Pullen had requested the numbers also and that he has contacted Ms. Siebert, Commissioner of Public Works to supply current information.

Mr. Norton requested to move to agenda item #6.

5. Fiscal June 30, 2012 External Audit Update (Agenda item # 6)

Mr. Mynarski reported that the auditors McGladrey & Pullen are ahead of schedule and are currently working on GHS Soil Remediation, the legal letter and open litigation. He stated that the following day he and the auditors will be meeting with the Law Department to review outstanding litigation and will report the findings to the Committee.

Mr. Norton questioned whether there would be a draft for the Committee next month noting that the auditors indicated this during their interview process. Mr. Mynarski replied that he should be receiving the legal letter in the next couple days and will check on delivery of the draft audit.

6. Greenwich Library Funding Policy

Mr. Norton detailed the reasoning for the revision of the Stowell Agreement. He explained his concerns regarding the expansion of the Peterson Wing and Cos Cob Library to include additional operational costs to the Town. Mr. Norton detailed the use of Major Object Codes (MOC) used by the Town to cover operating expenses. He indicated fines and fees should be received by the Town under municipal law, since tax payers are absorbing the Library's operating costs.

Mr. Norton expressed his concern that he has not received a response from his email to Nancy Better, Greenwich Library Trustee President, to articulate the Board's concerns.

Mr. Bedrosian stated that the lack of response from the Library Trustees may simply be a communication problem. Mr. Norton reiterated his directive from Mr. Mason, BET Chairman for a signed agreement between the Town and the Greenwich Library.

Mr. Goldrick expressed his preference to reconvene a working group with the Library Board to review the new document and express their concerns. He continued that he was under the impression that the Board agreed with the original Stowell Agreement last June. Mr. Norton agreed that all parties should meet to discuss the issue further.

7. Old Business Item Review

No items discussed.

8. Items for future BET Audit Committee Meetings

Mr. Lalli stated that the Continuing Education and Summer School Audits will be conducted spring of 2013 and has asked the BOE for a schedule. He said he will revise the Audit Plan for the November meeting accordingly.

Mr. Brady requested for the IT Study by Berry Dunn to be placed on the November 2012 Agenda.

Mr. Norton stated that the external auditors will be making their presentation at the December meeting.

Mr. Norton stated that the external auditors will be making their presentation at the December 2012 meeting.

9. Adjournment

Upon a motion by Mr. Goldrick, seconded by Mr. Bedrosian, the Committee voted 4 - 0 to adjourn the meeting at 11:20 A.M.

SUBJECT TO APPROVAL

Arthur D. Norton, BET Audit Committee Chairman

Elaine JV Brown, Recording Secretary