

1. BET Audit Comm. Meeting Documents

Documents:

[BET_AUDIT_COMM_MEETING_AGENDA_11-09-06.PDF](#)

[FINAL_BET_AUDIT_COMM_MEETING_MINUTES_11-09-06.PDF](#)

AUDIT COMMITTEE MEETING
Thursday, November 9, 2006
Gisborne Room, 8:00 a.m.

1. Update re those action(s) to have been taken by various Town departments concerning Payroll Audit findings.
2. Discussion with Scott Bassett, Partner-McGladrey and Pullen, concerning parameters for and ongoing audit of financials for year ended 6/30/06.
3. Review process followed by Town in Awarding Contracts and compiling eligible bidders list.
4. Update re progress made by Town concerning use of Town Owned Vehicles with particular attention to accidents involving same.
5. Review and consider for approval proposed dates for Committee meetings in 2007.
6. Review and consider for approval minutes of 10/05/06 meeting.
7. Consideration of changes to Internal Audit Plan.
8. Consideration of any other business that, in the Committee's judgment, should be discussed.

**TOWN OF GREENWICH
BOARD OF ESTIMATE AND TAXATION AUDIT COMMITTEE
THURSDAY, NOVEMBER 9, 2006
GISBORNE ROOM, 8:00 A.M.**

Present: Robert Stone, Chairman; James Himes, Larry Simon, Leslie Tarkington,

Staff: Peter Mynarski; Comptroller; Chris DeMeo, Risk Management

Also Present: Scott Bassett, Jen Mazzuocolo, Kevin Dubias, McGladrey and Pullen

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

Update re those actions to have been taken by various Town departments concerning Payroll Audit findings

Mr. Mynarski reported that according to Mr. Lalli, the First Selectman wants to implement everything relative to the Payroll Audit by January 1, 2007, including policies. This is a top priority, as it has budgetary implications in the area of staffing and reorganization. There was a staff meeting two weeks ago, but this issue was not brought up.

Mr. Simon stated that area involving policies and procedures should be reviewed again in January, and anything involving the movement of people and reorganization of departments should involve the HR Committee.

Discussion with Scott Bassett, Partner-McGladrey and Pullen, concerning parameters for and ongoing audit of financials for year ending 6/30/06

Scott Bassett, Partner, Jen Mazzuocolo, Kevin Dubias, from McGladrey and Pullen presented an update to the Committee on the Audit.

Mr. Dubias reported complete cooperation from the Finance Department, and most of the audit work completed, including most of the governmental funds and associated accounts. A few matters are being followed up in terms of wrapping up procedures, and everything so far has come back clean. The Retirement Plan Actuarial evaluation from EFI needs to be looked at to complete the pension valuation.

The Town Attorney has provided a list of any outstanding cases with estimates concerning their expected outcomes. In response to Mr. Stone's question about back testing, Mr. Bassett said that earlier estimates from Law seemed to be conservative when comparisons are made with actual results.

The full audit report is scheduled for finalization on December 31, and M&P will attend the December 14 Audit Committee Meeting to present the draft version.

Mr. Simon stated that he found the OPEB portion to be inadequate and not correct. All of the liabilities are not taken into account and there are questionable assumptions about the medical portion. He suggested looking at the OPEB assumptions and looking back to check validity. Two liabilities not included in OPEB are BOE retired teachers and 188 Town retirees being offered a subsidized pharmacy plan. Mr. Bassett stated that if retired teachers are subsidized, the experience is not what is paid in, but what the potential cost to the plan. The subsidized pharmacy plan meets the definition for liability of a retired employee under GASB 43/45, post employment benefits.

If assets are to be measured against a liability, a trust needs to be created first. If the Town decides not to create a trust, then only the accrued liability has to be measured and disclosed. If the required contributions are not being made this is included in the statement of net assets. Oversight of any trust would be up to the Town.

In response to a question from Mr. Simon with regard to funding an actuarial report should a trust be set up, Mr. Bassett stated that the town would not be obligated to fund the report.

Mr. Bassett reports overall that the audit process has been smooth, and that all systems are working properly.

Ms. Tarkington asked Mr. Bassett to explain the scope of the audit. Mr. Bassett explained that seven different opinions are given on major funds, enterprise funds and governmental funds. The timeliness of cash or revenue collections and payroll process with regard to policy and procedure are looked at. Efficiency audits are not done. Special areas may include school lunch funds, to look at cash receipts and disbursements. Insurance enrollments and eligibility may also be looked at. In a few of the larger cities with which M&P works, cost savings have been found through such things as reenrollment programs.

There was discussion as to the possibility of consideration of outsourcing vs. filling the position of the Internal Auditor. This could be valuable during the transitional phase during recruitment. There could also be the option of bringing in assistance for special projects.

In response to a question from Mr. Stone with regard to how many of M&P's clients had Internal Auditors, Mr. Bassett said that very few did.

Ms. Tarkington noted that M&P could provide guidance in this area.

In response to a question from Mr. Simon with regard to whether M&P clients paid employees weekly or every two weeks, Mr. Bassett said that most pay every two weeks. Mr. Simon had concern with an issue that continues to be a problem. He inquired as to whether dividing an annual salary by 26, during a 365 day year is the same as during a 366 day, or leap year. His concern is overpayment over a period of time. There is a difference between paying every two weeks and paying semi-monthly.

Mr. Mynarski explained that the two checks at years end, in July, balance out a few days from the old year.

Mr. Bassett will provide, in advance, a draft copy of everything including the management letter for the December 14th Audit Committee Meeting.

Review process followed by Town in awarding contracts and compiling eligible bidders list

Mr. Himes reported on the progress to date. Joan Sullivan had responded to the questions submitted, and Mr. Himes said that it was clear from those answers that the process involves a lot of discretion on the part of Purchasing. Follow up would involve looking at individual contracts.

Mr. Stone noted that higher standards seemed to be called for to protect the Town's interests. He suggested that involvement of an entity, other than the sponsoring Department, might be necessary to alert Purchasing to a potential problem with a prospective vendor. Mr. Stone also suggested that prospective vendors might be required to complete a questionnaire including items concerning their litigation experience and that of any affiliates.

Mr. Simon suggested making it part of the insurance process and contract award, as opposed to making it part of the bid process. This method would still afford time to select another vendor should the results of the questionnaire be unfavorable.

Mr. DeMeo will develop the questionnaire. He will work with the Purchasing and Law Departments, and also consult neighboring towns, including New York State, to see if their process is similar.

Mr. Himes noted that it would be helpful to have someone appointed to check contracts that the Town signs and how they work. This can be looked at in three categories: 1) was the bid process designed well, were the criteria right, 2) Process of determination, and 3) Outcomes: anticipated vs. actual expenditures.

Ms. Tarkington pointed out that how these things are structured is critical to results. Going back and making sure that bids structures are formulated on a basis that is impartial and creates the best opportunity for the town. The complete process needs review.

Mr. Himes will contact Joan Sullivan to inquire what mechanism exists to retroactively look at the actual performance of contracts over time.

Update re progress made by Town concerning use of Town Owned vehicles with particular attention to accidents involving same

Mr. DeMeo reported on the status of the town's policy on vehicle use and accidents. Ron Lalli had done an internal fuel audit in December of 2004, following which Mr. Stone had sent a memo to Ed Gomeau, asking that the Town's Vehicle Use Policy be

closely examined, and including two resolutions drafted by the Audit Committee. Mr. DeMeo read into the record the following:

“All Town Department Heads with vehicles under their jurisdiction should report annually that, in his/her opinion, said vehicles are being both used and operated in an appropriate and safe manner.”

“‘Vehicle Cost’ reports (generated by Fleet), be responded to formally by the managers of those departments having Town-owned vehicles under their jurisdiction.”

Mr. DeMeo reviewed the accident log generated from the Fleet Department for the past few years. He found that most of the incidents were of a minor (unsafe backing) or unavoidable (deer strike) nature. Since that time defensive driving courses have been offered.

In response to a question from Mr. Simon as to the number of accidents in a 12 month period, Mr. DeMeo stated approximately 100 had occurred. There are between 200 and 300 town vehicles, including police vehicles. Ms. Tarkington suggested a chart showing an exact number and type of vehicles per department.

Mr. Simon inquired as to the number of accidents and where they occur, and this information would also be helpful.

Mr. Stone noted that the resolutions were originally sent to Mr. Gomeau in January 2005. He distributed recent emails to and from Mr. Gomeau indicating that no action had been taken. Mr. Stone asked for the Committee’s opinion on next steps. The Committee supports continuing to monitor progress until additional information can be collected, and will review at the December 14th meeting of the Audit Committee.

Review and consider for approval proposed dates for Audit Committee meetings in 2007

The 2007 dates for the Audit Committee meetings were reviewed and upon a motion by Mr. Simon, seconded by Mr. Himes unanimously approved the 2007 Schedule of Audit Committee Meeting dates.

Review and consider for approval Minutes of 10/05/06 Audit Committee Meeting

Upon a motion by Mr. Himes, seconded by Ms. Tarkington, the Committee approved the minutes from October 5, 2006, 3-1 with Mr. Simon abstaining.

Other Business

Mr. Simon received an email that the Parking Department is going out with an RFP to replace the Compress software system. Mr. Simon requested that the Audit Committee

review the RFP, to be sure that the concerns about reporting capabilities are addressed within the RFP and that the issues in the Parking Audit are addressed as well.

Ms. Tarkington suggested reviewing the RFP and send comments to Mr. Stone for his review.

Mr. Mynarski reported on the Internal Auditor search. There are now 10 candidates.

Mr. Stone suggested consideration of outsourcing or formally engaging some firm on a regular basis to do some internal audits, in addition to hiring an Internal Auditor.

This has been done before for special projects.

Upon a motion by Mr. Simon, seconded by Mr. Himes, the Committee voted 4-0 that the Finance Department earmark \$30,000 to hire project managers to do internal audit studies in the FY 2007-08.

There being no further business, the Committee voted 4-0 to adjourn at 10:30 A.M.

Respectfully Submitted,

Valerie Zebrowski, Recording Secretary

Robert Stone, Chairman