

BOARD OF ESTIMATE AND TAXATION
Audit Committee Minutes
Thursday, March 8, 2018 – 8:30 A.M.
Gisborne Conference Room

Present

Committee: David Weisbrod, Chairman; Andreas Duus, Debra Hess, Jill Oberlander

Attendees: Peter Mynarski, Comptroller; Megan Damato, Esq., Risk Manager; Thomas Klein, Director, IT; Francis St. Jean, Technical Support Manager, IT

Public: Jose Irizarry, Exec. V.P. Global Services, Frenkel & Company

The regular meeting was called to order at 10:08 A.M. (Inclement weather delay from 8:30 A.M.)

1. Acceptance of Audit Committee Meeting Minutes of February 8, 2018

Upon a motion by Mr. Duus, seconded by Ms. Oberlander, the Committee voted 4-0 to accept the February 8, 2018 Meeting Minutes.

Ms. Hess commented that she found the expansion of topics in the Items for Future BET Audit Committee Meetings to be very helpful. Mr. Duus asked that in the future, the name of a Committee member responsible for the task or follow-up be added.

2. Risk Management

- **Frenkel and Company – FY 2018-2019 Insurance Renewal Update** – Mr. Weisbrod asked Mr. Irizarry for all TOG major lines of business, to update the Committee on the annual renewals of TOG insurance policies, including provisions applicable to self-insured retention. Beginning with retention, Mr. Weisbrod asked Mr. Irizarry to clarify the State Insurance Department 2014 form that mandated carriers of policies for public entities be required to exclude defense costs in personal injury and property damage cases from eroding the retained limit to receive state endorsement. The Committee asked Frenkel to pursue documentation of the mandate and its impact on self-insured public entities to gain a better understanding of rationale for adopting and reversing the mandate so quickly. Ms. Oberlander asked that Mr. Irizarry provide Ms. Damato with a comparison of the expiring policies with the proposed new policies to more easily review any changes. Mr. Irizarry described layering of TOG's liability insurance carriers as a tower of structurally and financially sound companies, premiums and limits; TOG's loss profile, loss history, and outstanding old claims are the basis for pricing of premiums and acceptability of risk. The Committee expressed special interest in learning more about new construction coverage regarding New Lebanon, future renovations under BOE's Master Plan, and options that could be suggested given TOG's annual insurance premium of \$2.5 million. Mr. Weisbrod requested a summary of the carriers, products and costs to be annotated with any umbrella coverage provided by TOG excess coverage policy.

Ms. Hess suggested that there might be a potential advantage to building a relationship with TOG's carriers by the Finance and Risk Management departments and suggested potentially inviting the prospective insurers to an informal meeting, focusing on the primary insurers and then expanding the meeting to the secondary layer of excess

liability providers. Mr. Irizarry was asked when the Committee could expect to have the summary of the following background information that would assist its familiarization for policy renewal decision-making:

- Benchmarking TOG with comparable towns
 - Identification of differences between expiring and renewal policies
 - Options for consideration of increased coverage for The Nathaniel Witherell
 - List of sites excluded in TOG's coverage
 - Options for indemnification for environmental coverage for sewer main to be built on state property
 - Options for expanding coverage for school construction projects
 - Options for terrorism risk coverage
- **Tom Klein, Director of Information Technology – Presentation on Disaster Recovery Plan, Information Technology Backup System** – Mr. Klein described the steps that have been implemented to provide resiliency and redundancy for TOG data. He spoke of daily, monthly and annual types of storage and retrieval procedures as well as redundancy provided through off-site locations. He assured Mr. Weisbrod that all Town data was backed up without flaws, faults or concerns; commenting further, Mr. Klein indicated that some Town information such as in Munis and CityView are backed up by an outside vendor; BOE and the Libraries have their own IT Departments; and, while Police Department business applications were within the Town's network backup system, Police public safety systems are not hosted in his Department's network. Ms. Damato was asked to speak with Captain Kordick regarding the Public Safety cyber security systems. Mr. Klein was asked to return to a future Audit Committee meeting to comment on the Town's data privacy, its plan for recovery, time required for restoration of Town's data in the event of disaster recovery and other changes and improvements implemented by the IT Department.

3. Internal Audit Report

- **Audits-in-Progress:**
 - **Draft Report: Internal Controls Over Cash and Client Assistance Handling in the Department of Human Services Discussion**
Mr. Mynarski reported that although a draft report on the Human Services Department was distributed to the Committee, the Law Department had recently set a precedent about the release of further information, in response to Freedom of Information Act request, until the completion of the Police Department investigations. This precedent also was being applied to the Parking Services FOI request. More information about the Parking Services Audit would be available for the next meeting.
 - **Revenue Processing and Reporting in the Office of the Tax Collector Update**
Mr. Mynarski advised that Ms. Frame and Ms. Damato have begun the process for this Audit but at this time there is nothing to report. Mr. Richman had been contacted and was receptive to the Audit as a follow-up to a previous Audit done three years ago.
 - **Acceptance of the Cash Handling Report in the Office of the Town Clerk**

Mr. Weisbrod thanked Ms. Hess for her participation in the Audit process. Ms. Hess, while agreeing to accept the Report, questioned the tone of the Report's recommendations, pointing out that the observations were accepted and implemented by the Office of the Town Clerk, with new software installed. Mr. Duus suggested a follow-up review within the next 6-9 months.

Upon a motion by Mr. Weisbrod, seconded by Mr. Duus, to accept the Report with corrections, the Committee voted 4-0-0 in favor of the motion.

- **Update on Public Work's Implementation of the Management Recommendations in the February 7, 2018 Internal Audit Report – Collection of Disposal Fee Revenue from Private Septic Haulers**

Mr. Mynarski reported that there was no update at this time.

4. Old Business

- **Status Report on the First Selectman's Cash Handling Task Force**

Mr. Mynarski stated that the Task Force had met; additionally, he indicated that the Task Force was active; a draft credit card policy had been developed which is being reviewed by Ms. Murphy; and, a travel reimbursement policy was being drafted in the OFS by Mr. Levitan. OFS has established goals of eliminating all petty cash in Department transactions. Mr. Weisbrod suggested that the Committee should discuss this goal in more depth. Mr. Mynarski proposed inviting the First Selectman and Task Force to the next Audit Committee meeting.

- **Harbor Management Commission**

Mr. Weisbrod suggested a review of collection and usage of the Commission's fees.

Ms. Oberlander remarked that a review should include how all "RRR" accounts were treated, budgeted for and supervised; she questioned if any account should be outside the BET's budget process. Mr. Mynarski commented that the Harbor Management Commission would be bringing its budget to the upcoming Budget Committee meeting.

Ms. Hess suggested a meeting with Ms. Frame, Ms. Damato and Mr. Mynarski to develop a plan for reviewing RRR accounts. Mr. Weisbrod asked that the plan include risk assessment practices, quantitative/qualitative experience and Commission governance policy. Mr. Weisbrod proposed that an interim plan covering the next 6 months would allow more time for Ms. Hess to assist Ms. Damato and Ms. Frame develop a more formal annual plan.

5. New Business

- **Best Internal Governing Practices: Review and Discussion of the Adoption of a Board of Estimate and Taxation Audit Code**

Mr. Weisbrod reminded the Committee of its role in governance and suggested that an Audit Committee Charter could be a model for other BET Committees to adopt. Mr. Duus volunteered to draft a one-page document as a model for the next meeting.

- **Best Internal Auditing Practices: Review and Discussion of the Adoption of an Internal Audit Code**

Mr. Weisbrod referred the Committee to the Internal Audit Activity Code included in the meeting packet. He proposed its discussion at the next meeting. Ms. Hess volunteered to provide mark ups on the existing draft for review prior to the next meeting.

6. Items for Future BET Audit Committee Meetings

- An interim 6-month Audit Plan to list Audit projects with estimates of hours required and prioritized with a scale of high/med/low importance while an Annual Audit Calendar is developed
- Further development of an Internal Audit Committee Charter (Mr. Duus)
- Update of Summary of insurance carrier report reflecting: (Mr. Irizarry)
 - Benchmarking TOG with comparable towns
 - Identification of differences between expiring and renewal policies
 - Options for consideration of increased coverage for The Nathaniel Witherell
 - List of sites excluded from TOG's insurance coverage
 - Options for indemnification for sewer damage from state property
 - Options for expanding coverage for school construction projects
 - Options for terrorism risk coverage
- Arrangement of meeting with TOG primary and secondary insurance carriers prior to June 4th Audit Committee meeting (Finance Department.)
- Invitation to the First Selectman and Cash Handling Task Force to the next Audit Committee meeting (Mr. Mynarski)
- Discussion with Captain Kordick to discuss Police Department IT System security (Ms. Damato)
- Invitation to the Technology Department to return in May to present Cyber Risk Practices (Ms. Damato)
- Schedule a follow-up review in 6-9 months of new practice implementation in the Town Clerk's Office (Finance Department)
- Development of a plan to review RRR accounts (Mr. Mynarski, Ms. Damato, Ms. Frame)
- Calendar of items to be discussed over the course of the year.

7. Adjournment

Upon a motion by Mr. Duus, seconded by Ms. Oberlander, the Committee voted 4-0 to adjourn the meeting at 12:02 P.M.

The next Audit Committee Meeting is scheduled for April 19, 2018 at 8:30 A.M. in the Gisborne Room.

Catherine Sidor, Recording Secretary

David Weisbrod, BET Audit Committee Chairman