

BOARD OF ESTIMATE AND TAXATION
Audit Committee Minutes
Tuesday, March 9, 2017 – 8:00 A.M.
Gisborne Conference Room

Present

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

Attendees: Peter Mynarski, Comptroller; Melinda Frame, Internal Auditor; Roland Gieger, Budget and Systems Director; Angela Gencarelli, Financial Analyst; Jose Irizarry, Senior Vice President, Frenkel & Co.; Robert Kick, Assistant Fire Chief

The regular meeting was called to order at 8:06 A.M.

Mr. Norton requested for agenda item # 2 to be addressed first.

1. Frenkel and Company – FY 2017 – 2018 Insurance Renewal Update

Mr. Irizarry detailed the 2017/2018 Insurance Renewal Premium Comparison indicating that there is a prolonged soft favorable market that exists with abundant competition. The first layer of liability insurance coverage should be a quick renewal with the Argonaut Insurance Company. The current premium is \$474,418 (four hundred seventy-four thousand, four hundred eighteen dollar) with a deductible of \$1,500,000 (one million, five hundred thousand dollars). This initial layer is followed by layer 2 with the Navigators Insurance Company, layer 3 with the Berkley National Insurance Company and layer 4 with the Arch Specialty Insurance Company. Multiple layers of insurance are in place for catastrophic events after the lead underwriter surpasses the claim limit. When asked, Mr. Irizarry explained the claim process beginning with the Town's Risk Manager, legal department, Frenkel & Co. claims department and finally the carriers. The Committee discussed coverage for personal and property insurance regarding auto claims, which is already built into the liability coverage.

Ms. Oberlander questioned how the Town would be liable in the case of suicides and if frequency would affect premiums. Mr. Irizarry explained that a negligence claim could be filed against the Town for insufficient protection (i.e., police protection, counseling, therapy). Frequency of claims would be evaluated and be discounted by 50% (fifty percent) by underwriters since preventative measures presumably would be in place since the incident.

Mr. Irizarry expressed positive feelings replacing Arch, the fourth layer of casualty coverage, and they will research internationally for the same premium. Ms. Oberlander questioned workers' compensation premium increase over previous years. Mr. Mynarski stated that a number of the workers' compensation claims are BOE custodians and teachers being injured by special education students. Mr. Irizarry will compile premium history in response.

The next step for Mr. Irizarry is to competitively market underwriters, discuss options with Risk Management and review with Finance for final decisions. Mr. Norton noted that cyber liability was previously increased to \$3,000,000 (three million dollars), the premium of \$36,059 (thirty-six thousand, fifty-nine dollars) is correct.

2. Internal Audit Report

- **Audits-in-Progress**

- **Limited Scope Review of the Fire Marshall's Office**

Mr. Kick presented multiple listings of nonspecific buildings and violations throughout the Town. The lists lack classifications which should be completed by the Fire Marshal. Without classifications, automatic inspection notifications are not being generated. A lack of cooperation from the Fire Marshal's Office, as well as software installation issues have slowed progress. Although this procedure is out of Mr. Kick's jurisdiction he has assured the Committee that the Fire Marshal staff will classify the buildings and he will report back to the Committee in three months the progress of such classifications. He estimates that outstanding inspections can be satisfied in six months, with the assistance of the five Deputy Fire Marshals. Ms. Oberlander questioned inspections of schools and other locations of assemblies. Mr. Kick responded that those locations are covered by Deputy Fire Marshal Chris Moynahan, who is diligent with inspections, and that any significant violations are corrected on the spot. Mr. Mason requested for this item to remain on the April agenda.

3. Old Business

- **Fiscal 2016 Audit**

- **Management Letter 2016 Responses Update**

Police Extra Duty Receivables: This item was presented by Mr. Gieger and Ms. Gencarelli. Mr. Gieger stated that the Police Department is currently using a locally hosted POSS (Police Officers Scheduling System) software system. It was recommended by the BET Budget Committee to move POSS to a web based application, to utilize full functionality of the extra duty billing module. The Police Department has expressed concerns about a secure outbound connection, disaster recovery and transitioning POSS to the web. Ms. Gencarelli stated that there is a police extra duty billing module, which can be implemented locally, which is not expensive, but its capabilities are limited. The decision comes down to Cloud versus locally hosted server, in which Mr. Gieger recommends use of the Cloud. Mr. Mason recommended a joint decision to be made by IT Director, Thomas Klein, and the Police Department. The Committee was told that, with a delayed implementation date, the item will remain on the Management Letter.

Upon a motion by Mr. Blankley, seconded by Mr. Mason, the Committee voted 4 - 0 to recommend use of the Cloud for hosting POSS (Police Officers Scheduling System).

Mr. Mynarski suggested a format change for BET Audit Committee Meetings in which people directly involved in agenda items will attend and participate in the discussion, increasing the productivity of the Committee's discussions.

Sewer Assessments: Mr. Mynarski reported that this Management Letter Comment has been rectified.

Capital Assets: Mr. Mynarski stated that Mr. Gieger and Ms. Gencarelli must complete their current budgetary tasks first and will then generate a test list of assets next month. Mr. Mynarski is hoping that when he meets the new partner from RSM US LLP during the upcoming engagement, the comment will be removed.

4. Internal Audit Report

- **Audits-in-Progress**

- **Cash Handling in the Office of the Town Clerk Update**

Mr. Norton asked for the draft report to identify monies received from conveyance tax. Ms. Frame identified one possible recommendation to improve internal controls with voids. Ms. Oberlander asked if cash transactions could be eliminated. Mr. Mynarski replied that Ms. Frame will follow up with Carmella Budkins, Town Clerk, but that it might not be practical to disallow paying cash for certain low-cost Town Clerk transactions.

Mr. Norton questioned future items on the Internal Audit Plan. Mr. Mynarski replied that an update of Fixed Assets will begin the end of April. Ms. Oberlander asked for a follow up of the Harbor Management Commission review from December 2013 and whether the recommendations for reconciliation of mooring revenue and the billing process were implemented. Mr. Mason added that the RTM and First Selectman have not approved the Harbor Plan which may prevent such a review. He recommended that Ben Branyan, Town Administrator, attend the April BET Audit Committee meeting for an update and clarification before moving forward.

Ms. Oberlander suggested a review of GEMS with a breakdown of services provided to the Town. The Town budgets in excess of \$4,000,000 (four million dollars) annually. She proposed an evaluation is needed to compare the actual services received versus cost. Mr. Mason stated that GEMS provides semi-annual reports to the BET and annual audit from their independent outside auditor. Mr. Blankley recommended that this issue might be more appropriate for the Budget Committee item, since the Audit Committee reviews only internal processes and Best Practices. Ms. Oberlander will return to the April meeting after a visit to GEMS to assess the formulation of their budget requests.

- **Update on Parking Services Audit Report**

Parking Services Audit is still under review.

5. Risk Management Report

- **Safety Inspection Updates**

- **Chubb Insurance Planned March Inspection of Police and Fire Department Headquarters:** Mr. Mynarski reported that the Chubb safety inspections were performed and property surveys reports will be forwarded when received.

- **Frenkel & Co. Safety Report for the Central Middle School Gymnasium and Locker Rooms Update:** Mr. Mynarski stated that the Report will be available at the April meeting.

- **FEMA Update**

Mr. Mynarski stated that the Finance staff is finalizing the Greenwich Point Park worksheet and the Funds will be placed in the Capital Non-Recurring Fund.

6. New Business

- **Risk Manager Job Search**

Two internal applications received to date. Mr. Mynarski has asked Human Resources to expand the search to include the Government Financial Officers (GFOA) Connecticut Chapter site and to extend the submission deadline. Ms. Oberlander questioned whether the job description included other areas of expertise such as insurance claim recovery, insurance contracts, etc. Mr. Mynarski replied yes and added safety inspections and FEMA reimbursements. The Committee expressed interest to participation in the final interview process.

7. Items for Future BET Audit Committee Meetings

Mr. Mason questioned the process used by the Town regarding State reimbursement for BOE school construction projects. The Committee needs clarity whether it is the responsibility of the BOE or the project's Building Committee. Mr. Blankley stated that the matter should be resolved by the BET Budget Committee. Mr. Mynarski suggested a conversation prior to the April meeting with BET Members Leslie Moriarty and Leslie Tarkington, both have experience with BOE school construction projects.

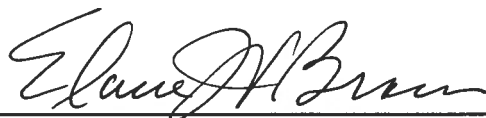
8. Approval of Audit Committee Meeting Minutes of February 14, 2017

Upon a motion by Mr. Mason, seconded by Mr. Blankley, the Committee voted 4 - 0 to postpone approval of the February 14, 2017 Meeting Minutes.

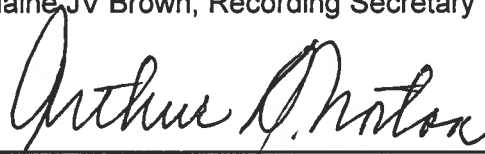
9. Adjournment

Upon a motion by Mr. Blankley, seconded by Ms. Oberlander, the Committee voted 4-0 to adjourn the meeting at 10:58 A.M.

The next Audit Committee Meeting is scheduled for April 13, 2017 in the Gisborne Room.



Elaine JV Brown, Recording Secretary



Arthur D. Norton, BET Audit Committee Chairman