

BOARD OF ESTIMATE AND TAXATION
Audit Committee Minutes
Thursday, December 11, 2014 – 8:00 A.M.
Gisborne Conference Room

Present

Committee: Arthur Norton, Chairman; John Blankley, William Finger, Leslie Tarkington
John Blankley left the meeting at 10:15 A.M.

BET Members: Nancy Weissler

Attendees: Peter Mynarski, Comptroller; Mary Walczykowski, Chief Accountant; Ron Lalli, Director Risk Management; Pat Maranan, Internal Auditor; Scott Bassett, McGladrey Partner; Jennifer Mazzuocolo, McGladrey Manager; Tod Laudonia, Tax Collector; Brenden McDonough, Assistant Tax Collector; Mary Pepe, Director Human Resources

The regular meeting was called to order at 8:03 A.M.

1. Approval of Minutes:

• **Audit Committee Meeting November 13, 2014**

Upon a motion by Ms. Tarkington, seconded by Mr. Finger, the Committee voted 4-0 to approve the November 13, 2014 Meeting Minutes.

• **Audit Committee Special Meeting November 25, 2014**

Upon a motion by Ms. Tarkington, seconded by Mr. Finger, the Committee voted 4-0 to amend the November 25, 2014 Special Meeting Minutes, Page 2, fourth bullet point “, as it was not consistent with organizational charts presented in prior years in the CAFR or the Town Charter.”

Upon a motion by Ms. Tarkington, seconded by Mr. Finger, the Committee voted 4-0 to approve as amended the November 25, 2014 Special Meeting Minutes with corrections as noted.

2. Risk Management Report

• **MISA Safety Inspection Report**

Mr. Lalli reviewed the Safety Inspection Report by AIG. Four recommendations were made, three were routine construction items: hot works procedures, portable fuel storage and fencing.

The fourth concerns Turner Construction Company which is not contractually liable for safety on this project. Mr. Lalli has solicited, negotiated and obtained monthly safety inspections from the Town's broker, Frenkel & Co., to obtain compliance. The inspections will be provided free of charge from the broker, to Turner and members of the MISA Building Committee. There could be 27 (twenty seven) inspections through the spring of 2017. Mr. Lalli is waiting for a response. Ms. Tarkington said that Turner Construction Company will respond to the recommendations, adding that the project is 60% (sixty percent) complete, and that the report incorrectly refers to

Turner Construction as a general contractor. Mr. Lalli noted the error, but the recommendations are not affected by this error. He advised that all parties are addressing the recommendations.

- **Status Update for Pending Safety Inspection**

Other expected inspections including the train stations at Cos Cob, Riverside, and Old Greenwich to be performed during the winter; Fire Building; Police Head Quarters, Nathaniel Witherell, one selected school facility and a final MISA inspection. A report on the pedestrian traffic patterns surrounding the MISA project has been conducted and a report is expected soon. Ms. Tarkington asked to possibly include Greenwich Train Station inspection.

Mr. Lalli informed the Committee that Risk Management's update on claims against the Town; Cyber Liability and FEMA will be deferred to the January 2015 meeting. The entire claims review and accountability process were audited December 9th and 10th by Starr Indemnity Insurance Company. Findings will be presented at the January 2015 meeting.

3. Internal Audit Report

- **Tools for Schools Update**

Ms. Maranan participated in the biannual Tools for Schools Program specifically at the North Street and Western Middle School, as part of a five member team. The primary focus of the program is to monitor and to improve the indoor air quality of schools' facilities. No exceptions were found during the review.

4. Review and Approval of the Comprehensive Annual Financial Report (CAFR), Federal and Single Audits and Acceptance of the Management Letter for the Year Ending June 30, 2014

Mr. Bassett and Ms. Mazzuocolo presented the complete draft audit report for the year ending June 30, 2014. Ms. Tarkington and Mr. Finger questioned the placement of Tax Collector in the Table of Organization Chart, and they requested for the Tax Collector to be double lined to the Voters and the BET. Mr. Mynarski will ask Mr. Gieger to adjust the chart accordingly and send to Ms. Mazzuocolo.

An overview of the presentation noted in the Management's Discussion and Analysis:

On a government-wide basis, the assets of the Town exceeded its liabilities resulting in net position at the close of the fiscal year of \$496.0 million. Total net position for governmental activities at fiscal year-end were \$488.0 million, and total net position for business-type activities were \$8.1 million. Net position for business-type activities increased by \$0.8 million and net position for governmental activities increased by \$30.4 million, from fiscal 2013.

On a government-wide basis, during the year, the Town's net position increased by \$30.4 million from \$465.7 million to \$496.0 million. Government-wide expenses were \$414.4 million, while revenues were \$444.8 million. Mr. Mynarski noted that Ms. Weissler has arranged for a representative from Ovation to attend the full BET Meeting on December 15 to review health plan expenses which make up the bulk of this amount.

The Town's governmental funds reported on a GAAP basis (Generally Accepted Accounting Principles) had a current financial resource combined ending fund balance of \$36.5 million, an increase of \$4.9 million from the prior fiscal year.

At the end of the prior fiscal year 2013, the fund balance for the General Fund was \$35.3 million. For the current fiscal year the surplus of \$12.0 million increased fund balance to \$47.3 million.

The Town's total debt increased \$23.8 million. The net increase is the issuance of \$45.0 million in General Obligation Bonds with an offsetting payment of regularly scheduled principal amounts. Of significance, is the Town's debt administration policy of paying down General Fund debt over a five-year-period. Borrowings for funds other than the General Fund continue to be amortized over a twenty-year period. This does not include short-term Bond Anticipation Notes with \$85.0 million outstanding as of June 30, 2014.

Ms. Tarkington questioned the accrued liabilities (vacation and sick time) compared to similar towns. Mr. Mynarski said that it would be difficult to benchmark but would follow up. Overstaffing might drive the numbers he added.

Mr. Bassett reviewed the "*Federal and State Financial and Compliance Report for Fiscal Year Ending June 30, 2014*" noting no significant issues.

The lack of a Tax Collector's Report and a monthly process to reconcile between the tax and general ledger accounts was noted. Currently the reports are all completed at year-end. The issue appears to be with Quality Data Systems (QDS) inability to integrate into the existing MUNIS tax system. Ms. Walczykowski detailed the steps and procedure to rectify this issue and verify the last 15 (fifteen) years. Mr. Bassett stated that QDS should integrate with MUNIS at some point to be able to generate monthly reports on a timely basis.

Mr. Norton requested the Committee to review the tax receipts for December, January and February at the March 2015 meeting to insure that the issue is resolved from the Chief Accountant and the Tax Collector's Office. Ms. Tarkington noted that a written response from the Tax Collector was not included in the report. Mr. Mynarski replied that it was a communication error and that Mr. Laudonia will submit a written response.

Another deficiency of QDS concerns Sewer Assessments. Receivables cannot be separated between current and deferred (future billing) assessments. Mr. Norton requested Mr. McDonough to report back to the Committee in February 2015.

The Single State Audit resulted in no findings or questions.

Upon a motion by Ms. Tarkington, seconded by Mr. Finger, the Committee voted 3 to 0 to accept and recommend to the full BET the CAFR (Comprehensive Annual Financial Report) for fiscal year 2013-2014 as presented with changes.

Upon a motion by Ms. Tarkington, seconded by Mr. Finger, the Committee voted 4 to 0 to accept and recommend to the full BET the Federal Single Audit and Compliance Report and the State Single Audit and Compliance Report – Fiscal Year Ending June 30, 2014.

- **Management Letter for year Ending June 30, 2013**

Mr. Bassett mentioned the "*Management Letter*" findings: Pension Benefit Payments, Capital Assets, Sewer Assessments and LOCIP.

Ms. Pepe detailed the error made July 2014 when payroll inadvertently processed a BOE 22 (twenty two) week summer check recipients as 26 (twenty six) week payees resulting in overpayments to 34 teachers. Union contracts for BOE teachers and hourly employees provide the option of either 22 (twenty two) pay periods or 26 (twenty six) pay periods for the year. Human Resources (HR) is in the process of verifying and recouping the \$94,000 (ninety four thousand dollars) of over payments. No union grievances have been filed. HR will be drafting letters to recoup and clean up new payroll implementation. Mr. Norton requested Ms. Pepe to report back to the Committee in March 2015 with an update on a resolution. Mr. Mynarski said that it is appropriate for the Treasurer, Ms. Murphy also to participate, since that department will be recording the repays.

The Management Letter also cited several instances where pensioner files do not have the most recent information for cost of living adjustments (COLA's). My Mynarski stated that the information will be placed in the files going forward.

There was no review of capital assets (physical inventory) by department listing existing assets. Risk Management accepts this recommendation but needs to identify areas of focus, such as BOE Digital Learning Program, P&R landscaping equipment, etc. Mr. Norton asked for a procedure to be developed to address this issue.

Mr. Mynarski said that the LOCIP payments will be addressed in January 2015 when Ms. Siebert, Director of DPW is in attendance.

Upon a motion by Ms. Tarkington, seconded by Mr. Finger, the Committee voted 3 to 0 to accept the Management Letter.

Mr. Norton thanked Mr. Bassett and Ms. Mazzuocolo for their presentation.

5. New Business

- **The Nathaniel Witherell Historic Tax Credit Audit Update**

Not addressed.

6. Old Business

Not addressed.

7. Items for Future BET Audit Committee Meetings

Not addressed.

8. Adjournment

Upon a motion by Ms. Tarkington, seconded by Mr. Norton, the Committee voted 3-0 to adjourn the meeting at 10:35 A.M.

The next meeting of the Committee is scheduled for January 8, 2015 at 8:00 A.M. in the Gisborne Conference Room.

Arthur D. Norton, BET Audit Committee Chairman

SUBJECT TO APPROVAL