

**BOARD OF ESTIMATE AND TAXATION**  
**Audit Committee Minutes**  
**Thursday, September 12, 2013 – 8:00 A.M.**  
**Gisborne Conference Room**

Present:

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

Attendees: Peter Mynarski, Comptroller; Ron Lalli, Director of Risk Management;  
Pat Maranan, Internal Auditor; Ian MacMillan, Greenwich Harbor Master;  
Bob Horton, Greenwich Time

The meeting was called to order at 8:08 A.M.

**1. Approve Minutes of Audit Committee Meeting June 13, 2013 and July 11, 2013.**

Upon a motion by Mr. Brady, seconded by Mr. Bedrosian, the Committee voted 3-0-1 to approve the June 13, 2013 Meeting Minutes.

Mr. Goldrick motioned for a discussion regarding agenda item #3. There was no second.

Upon a motion by Mr. Brady, seconded by Mr. Bedrosian, the Committee voted 4-0 to approve the July 11, 2013 Meeting Minutes.

**2. Risk Management Report**

• **Hurricane Sandy Update – Expenditure/Reimbursement Update**

Mr. Lalli presented an update on the Town's insurance claims, \$8,319,758.00 (eight million, three hundred nineteen thousand, seven hundred fifty eight dollars). He added that some claim negotiations are ongoing: seawalls, golf course trees and Island Beach property damages.

Mr. Mynarski added that the Town has currently received \$1,025,000 (one million, twenty five thousand dollars) in insurance reimbursements. FEMA reimbursement will be received after insurance settlements are finalized, and will be a "deferred revenue".

Mr. Goldrick questioned the Town's insurance coverage in comparison to other State municipalities. Mr. Lalli replied that the insurance adjusters informed him that the Greenwich claim was substantial. He added that insurance rates will increase, not as a result of the Town's claim, but as a result of Hurricane Sandy's devastation to the entire north eastern United States. Greenwich premiums and deductibles have increased for this fiscal year.

• **Current Accounting Practice for Insurance Recoveries Policy**

Mr. Norton explained that he had requested Mr. Lalli to write this policy, clarifying accounting and administrative practices.

Upon a motion by Mr. Brady, seconded by Mr. Bedrosian, the Committee voted 4 -0-1 to make policy the memorandum titled "*Current Accounting Practice for Insurance Recoveries*".

• **Review of updated Insurance Policy Digest**

Mr. Lalli presented a list of Town accounts showing individual fiscal 2013 and 2014 budgeted liability amounts and estimated 2014 actual amounts. He stated that one of his objectives this

year is to review the claim process used by the insurance carrier for school sports accidents. He also stated that he anticipates that he will be accompanying the engineers from Frenkel and Company when they perform their building inspections. He stated that he hoped to have engineering reports to the Committee in the near future.

### **3. Internal Audit Report**

- **Review of Final Audit report - Board of Education School Lunch**

Mr. Lalli reminded members that this audit was initially requested by Ben Branyan, BOE Director of Operations as a result of an alleged malfeasance at the Julian Curtis Elementary School. The audit did not reveal any direct evidence that a potential malfeasance situation existed but did reveal issues with internal controls. Inadequate cash registers and the need for an employee rotation policy were recommended. The use of cameras, to monitor register transactions, was recommended to guard against non-recorded receipts. Twelve internal control observations were written in the report.

During this audit "surprise tests" were conducted at 6 schools (Hamilton Avenue, Julian Curtis, Greenwich High, Parkway, Riverside and Western Middle) to observe the reconciliation process and inspect registers. Mr. Brady questioned the BOE procedural process used for internal controls. Mr. Lalli replied that non-recorded transactions involving cash are difficult to detect and capture hence the recommendation for visual surveillance with cameras, Supervision of Food Service and pre-payment handling throughout the schools was discussed.

Mr. Lalli noted that he approached this project as half auditor and half consultant. His recommendations included a review of internal controls but also noted that relatively good practices were in place or the initial issue would never have been discovered. He emphasized the willingness of BOE personnel to discuss all the internal control issues. He congratulated BOE Management for seeking the audit in the first place noting that the BOE realizes that the Internal Audit function can be used to augment already existing internal controls.

Mr. Goldrick requested that this item be revisited, with BOE participation, at a future meeting to be sure policies and recommendations have been enacted.

Upon a motion by Mr. Bedrosian, seconded by Mr. Brady, the Committee voted 4 -0 to approve the "*Internal Audit of Selected Activities of the Greenwich Board of Education's School Breakfast and Lunch Program*" with the addition of one descriptive and a spelling correction, per Mr. Brady's request.

- **Selectman's Harbor Management Advisory Committee Audit Update**

Mr. Lalli stated that the audit has not been finalized. Additional interviews, accounting and administrative issues need review. Mr. Lalli stated that the audit is much more complex than initially thought. Mr. Norton questioned the time frame. October or November possibly Mr. Lalli replied. He will be reviewing accounting and administrative processes as well as safety issues on the water.

Mr. Brady agreed that revenues are a large problem and made comments regarding moorings, permits and the revenue stream. Mr. Brady envisioned a centralized Town billing system as a possible solution to Town-wide accounts receivable.

Mr. Lalli stated that Ms. Maranan will be doing audit work to be sure the Social Services Department has implemented the recommendations. The Fixed Assets Audit has not been started.

### **4. Fiscal 2013 Audit Update**

Mr. Mynarski stated that the external auditors will begin their audit on September 23, 2013 and to expect a draft in November. A walk-thru on the CAFR is expected in December.

Mr. Mynarski added that he has been working with Ms. Pepe and an implementation team for the new ADP Payroll System with a hopeful October 1<sup>st</sup> implementation date and a July 1<sup>st</sup> live date.

**5. Old Business**

No items were discussed.

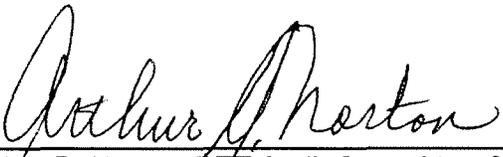
Mr. Norton requested a date change for the October meeting from Thursday, October 10 to Friday, October 18, 2013. The Committee agreed. Therefore, the meeting will follow the September 18, 2013 OPEB and Investment Advisory meetings, held that morning, with an approximate start time of 10:00 A.M.

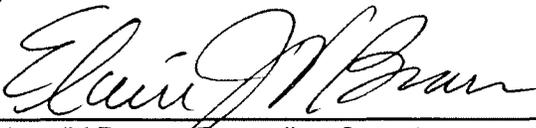
**6. Items for Future BET Audit Committee Meetings**

No items were discussed.

**7. Adjournment**

Upon a motion by Mr. Brady, seconded by Mr. Bedrosian, the Committee voted 4 to 0 to adjourn the meeting at 10:29 A.M.

  
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Arthur D. Norton, BET Audit Committee Chairman

  
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Elaine JV Brown, Recording Secretary