

BOARD OF ESTIMATE AND TAXATION
Audit Committee Minutes
Thursday, April 14, 2011 – 8:00 A.M.
Gisborne Conference Room

Present:

Committee: Arthur Norton, Chairman
Joseph Pellegrino and Jeffrey Ramer
William Kelly – via telephone participation

Attendees: Peter Mynarski, Comptroller; Ron Lalli, Special Projects Coordinator; John Kauffman, Senior Risk Management Consultant, CIRMA; Paul Gills, Senior Risk Management Consultant, CIRMA; Joey Barbera, Senior Risk Management Consultant, CIRMA

Other: Randall Huffman, BET Member
Despina Fassuliotis, RTM Member

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

1. Approve Minutes of Audit Committee Meeting

Upon a motion by Mr. Ramer, seconded by Mr. Pellegrino, the Committee voted 3-0 to postpone the vote to approve the March 10, 2011 Minutes.

2. Risk Manager Report

**CIRMA Work Place Safety Assessment Study Update
Cost Allocation Model Report Update**

Mr. Gills presented a brief overview of the CIRMA Work Place Safety Assessment Study Update and invited the Committee to question and discuss its content and recommendations regarding Risk Management, Pre Loss and Post Loss issues. He stated that the department head interviews and their active participation will result in savings to the Town of Greenwich. The report also included a follow up to a 2005 assessment. He noted that the Parks and Recreation Department took action from those recommendations, while the vast majority of departments did little or no follow-up.

The report also includes an Executive Summary which gives an overview of the project and reviews losses to control costs. Mr. Gills continued with a few recommendations such as a formal risk management process, a go-to-person that handles risk management issues, safety issues in regard to Public Works, etc.

Mr. Kelly, via speaker phone, requested a little background information on each of the CIRMA representatives. Each gentleman gave a brief capsule of their risk management history and past experience, noting that all three participated in this study.

Mr. Norton initiated discussion of the number of strains and sprain injuries in the report, especially at the Board of Education. Mr. Kauffman addressed the question stating that these injuries are quite common as a loss driver. Many claims are slips and falls, teacher injuries in the special education sector and janitorial incidents.

Mr. Barbera stated that risk management makes up approximately 60% (sixty percent) of the Town's total cost. Mr. Mynarski added that other issues such as the cost of procedures performed at Greenwich Hospital and the absence of preferred provider network increase this

cost. Mr. Barbera continued with the benefits of network medical such as requiring MRI procedures within the first 72 (seventy two) hours of an incident and reduced individual medical procedure costs. Mr. Norton questioned whether the switch to network medical benefits would present opposition issues with the Town's unions. Mr. Kelly recommended that a PPN (Preferred Provider Network) be included in future negotiations.

Mr. Barbera noted an inconsistent Return to Work Plan. He continued that the Town lacks a program to maintain physical fitness, as an example the Police and Fire Department both requiring high physical demands on employees. Mr. Gills said that other issues include the lack of risk management leadership which was expressed in the department head interviews. He stated that the Risk Manager needs to be a professional, able to handle pre and post loss with accessible to the department heads, which eventually are accountable for post loss.

Mr. Kauffman recommended that the Risk Manager position would increase accident investigation. By doing so, the person will be able to discover root cause, analyzing the results and track trends in claims. Mr. Kaufmann also recommended that the position report to the highest member of the Town's organization, empowering authority to the position. Another recommendation by Mr. Gills is the creation of a steering committee (Executive Risk Management Committee), headed by the Risk Manager to review trending and goals.

Mr. Pellegrino asked the three CIRMA representatives to quantify the costs and benefits of their recommendations: Risk Manager Position, PPN, contract issues, process issues, the 2005 study and the cost to the Town not implementing the 2005 report recommendations. Mr. Gills noted that the upcoming OSHA fines of approximately \$10,000 - \$20,000 (ten thousand to twenty thousand dollars) could have been avoided if their recommendations for work zone protection from the 2005 review had been implemented. Mr. Gills added that by switching to a PPN the Town could possibly have a cost savings of \$2,500,000 (two million five hundred thousand dollars) during that period.

Mr. Kauffman reviewed the report section titled Cost of Risk Analysis which includes indirect expenses such as production time lost, overtime scheduling, new employee training and/or temporary employees, all additional costs associated with claims.

Mr. Mynarski questioned what the position of Risk Manager will save the Town. Mr. Gills replied approximately \$500,000 to \$1,500,000 (five hundred thousand to one million five hundred thousand dollars). Mr. Mynarski stated that the position must have the power to implement the recommendations such as PPN, return to Work Plan, etc. Mr. Norton added that the first step should be the cost allocation model to make the departments aware of in-direct costs associated with workers comp claims and their effect on the department's budget.

Proceeding to the second part of the report, Mr. Barbera reviewed the 2009 – 2010 models, while discussing retirees/beneficiaries expenses in detail with Mr. Mynarski. Long term workers' comp claims verses estimated settlement values were compared in the appendix of the report. Mr. Huffman questioned Mr. Barbera about cost allocation cost increases. Mr. Gills replied with multiple reasons such as aging of workforce, the need for ergonomic solutions, disconnection with the Risk Manager position and accountability, plus the lack of reports to track trends. Mr. Norton stated that there appears to be a lack of structure to manage risk, while Mr. Barbera concluded that the Town is not able to stop risk but it needs to be managed. He added that executive leadership will result in pre-loss savings which will result in post-loss savings.

Mr. Norton stated that he believes the culture will change if departments are made aware of the impact of in-direct costs to their budgets. Mr. Gills acknowledged this and said that department heads realize this issue and are looking for guidance for their supervisors to manage their employees.

Mr. Kelly asked for additional benefits for the Risk Manager position to which Mr. Barbera replied compliance issues, department training, safety management, safety inspections, and the management of safety compliance. Mr. Barbera and Mr. Gills agreed that there is enough work actually for two positions.

Mr. Pellegrino thanked Mr. Barbera, Mr. Gills and Mr. Kaufmann for the excellent report but also added a request for an executive summary, in plain English, of the dollar amount savings for each recommendation and the redaction of specific employee information. The document needs only to be one or two pages which can then be presented to the RTM members. Mr. Ramer agreed. Mr. Kauffman stated that the summary will be complied with dollars amounts estimated to the best of their ability. Mr. Norton requested the summary to be available at the next BET Audit Committee meeting in May 2011. Mr. Gills stated that the summary will be completed within two weeks with the ability to attend the May meeting to discuss.

Mr. Norton and Mr. Pellegrino again congratulated the CIRMA group for the excellent work and thanked them for attending.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ramer, the Committee voted 3 – 0 to accept the CIRMA Risk Management Review dated April 2011 subject to a revised executive summary.

9:15 A.M. Mr. Barbera, Mr. Gills and Mr. Kauffman left the meeting.

9:16 A.M. The Committee took a brief break.

9:19 A.M. The Committee reconvened.

Engineering Reports

Item was not discussed.

Hold Harmless Discussion

The Committee had reviewed seven program activity registrations that Mr. Mynarski had received from Parks and Recreation and distributed prior to the meeting. Mr. Kelly recommended that the Law Department review the indemnification language of the forms.

Upon a motion by Mr. Ramer, seconded by Mr. Pellegrino, the Committee voted 3 – 0 to submit the seven indemnification agreements to the Law Department for review and comment for the BET Audit Committee to review at the June 9, 2011 meeting.

Due to a prior meeting commitment, the BET Audit Committee addressed item #4 to enable Mr. Lalli to leave prior to the meeting's conclusion.

Upon a motion by Mr. Ramer, seconded by Mr. Pellegrino, the Committee voted 3 – 0 to take agenda item #4 out of order.

4. Internal Audit Report

Vehicle Use Policy and Procedure

Mr. Lalli distributed a draft copy of the Vehicle Use Policy to the Committee, noting that issuance is pending. Mr. Lalli informed the Committee that all the concerns identified as a result of his review of Town employees' driver licenses have been included in the draft policy. The update included new verbiage regarding when an employee is arrested for a DUI. The policy now states that their privilege to drive a Town vehicle will be suspended for several

reasons, all noted in the draft policy document, including the time period after a DUI arrest but prior to a formal hearing.

Mr. Ramer raised the option of requesting individuals who use their own vehicles for Town business to be required to increase their personal auto insurance coverage. Mr. Lalli stated it is his opinion that the Town would be unable to enforce this request.

Upon a motion by Mr. Ramer, seconded by Mr. Pellegrino, the Committee voted 3 – 0 to accept the updated Vehicle Use Policy and Procedure.

Town Website Project

Mr. Lalli reported that there is currently an active project to revamp the Town's website, making it more user-friendly. The website will enable a user to contact all employees who have email addresses, although the email address will not technically be obtainable by the user. This is to prevent spammers from collecting this information. Only upon response to the email contact by a Town employee will the user be able to obtain the email address.

Marina Audit

Mr. Lalli stated that he has completed 3 (three) physical inventories and although Parks and Recreation has made significant progress, several of the marinas still need improvement. He stated that the business culture has improved and is accepting to more controls and accountability. He stated that P&R has agreed to and implemented all of the recommendations made as a result of the audits.

A discussion followed regarding the Town's options that would include the removal of vessels from the marinas. As a result Mr. Lalli asked if he could return to the Committee at the May meeting to provide the Committee with further information regarding the 45 (forty five) boats noted in the report as "not paid".

Fire Department Volunteers

Mr. Lalli stated that the funds have been restored to the budget and that he is cleared to provide audit services. Mr. Pellegrino asked Mr. Lalli if he could visit each of the stations and review the health care benefits. Mr. Lalli accepted and stated that he will report back to the Committee at a future date.

3. Debt and Fund Balance Policy Discussion

Mr. Mynarski stated that he is currently receiving policy corrections from the BET members.

Mr. Ramer referenced the authority of Committee members' telephone voting policies from the Robert's Rules of Order. He stated that the Audit Committee does not have the authority, from the BET, to use telephone voting and that until it is adopted by the BET the Committee can not make use of it. He added that he was uncomfortable with this issue. Mr. Norton stated that Robert's Rules prevails, while Mr. Pellegrino agreed. Therefore all votes taken at this meeting may not include Mr. Kelly's vote since he is participating via telephone.

The Committee's attention returned to the Debt and Fund Policy Discussion. Mr. Mynarski noted that the full BET has not had a first read as of today's date on the proposed policy. A lengthy discussion followed regarding the policy to govern the issuance and management of debt by the Town.

Mr. Ramer stated his concern over exact dollar numbers being used in the policy, which he feels should be used as guidelines and not exact amounts. He voiced his concern over their effect on the rating agencies. Mr. Pellegrino responded that the policy will set boundaries regarding capital projects and will be used as a reference tool. Mr. Ramer once again expressed his

concern if the Town exceeds these amounts and the effect it will have on the Town's rating. Mr. Norton disagreed and stated that agencies review the debt and coverage ratio not the policy.

Mr. Ramer and Mr. Mynarski then discussed the wording of the current tax levy section and maintaining a maximum General Fund Debt portion of the policy. Mr. Mynarski stated that he was one hundred percent in agreement with Mr. Ramer and continued that it may confuse the rating agencies. He stated that it should be in the budget guidelines but not in this policy.

A group discussion between Mr. Pellegrino, Mr. Huffman and Mr. Norton continued with the issues of the Fund Balance, mill rate and reserved funds.

Mr. Norton reminded the Committee that the Debt Policy and the Fund Balance are two separate items while Mr. Huffman emphasized the importance of the Fund Balance. Mr. Pellegrino stated his preferences such as a 7.5 % (seven point five percent) fund balance of \$26,000,000 (twenty six million dollars) over the next two to three years. Mr. Mynarski added that currently the balance is \$18,000,000 (eighteen million dollars). Mr. Ramer concurred with Mr. Pellegrino's suggestion. Mr. Kelly, via the telephone, stated that he also agreed with these statements but that the policy needs clarification on certain items from Mr. Mynarski.

Mr. Mynarski stated that he will forward materials to all the members in reference to the revisions to the policy that he has received from other BET members. Mr. Norton and Mr. Ramer requested a re-draft after additional comments are received by Mr. Mynarski.

10:32 A.M. Mr. Kelly ended his meeting participation via the telephone, due to a prior appointment commitment.

Mr. Norton then directed attention to the Debt Policy. A discussion between Mr. Norton and Mr. Ramer regarding a 10% (ten percent) cap amount began. Once again Mr. Ramer stressed his opinion as to not include an exact dollar amount within the policy, but for it to be used as a guideline. Mr. Mynarski also agreed with this stance.

Mr. Pellegrino stated that in his opinion the maximum debt ceiling should be \$200,000,000 (two hundred million dollars) and not to be exceeded. The amount was questioned by Mr. Huffman to which Mr. Pellegrino defended his 57% (fifty seven percent) cap on debt capital as a number chosen from career experience as well as his response to listening to the people of Greenwich. Mr. Mynarski added that the current debt is \$125,000,000 (one hundred twenty five million dollars) which includes both sewer and North Mianus projects. Mr. Pellegrino finalized his opinion as a \$25,000,000 (twenty five million dollar) Fund Balance with a \$200,000,000 (two hundred million dollar) Debt Fund Balance.

Mr. Ramer declared that he was still uncomfortable stating exact dollar amounts with in the policy. Mr. Pellegrino and Mr. Ramer continued their General Fund Debt discussion regarding revisions that were made. Mr. Norton reminded all that the policy needs a Debt Fund cap whether a fixed amount is stated or not. Mr. Ramer stated that a percentage of the Grand List and percentage per capita is what has been suggested by Mr. Mynarski.

Mr. Mynarski stated that he is expecting additional comments from the other BET members in the following week and a half. Mr. Pellegrino once again requested for a Debt Fund cap of \$200,000,000 (two hundred million dollars) to be included in the revised policy.

8. Approval of Blum Shapiro Engagement Letter for FY 2011

Mr. Mynarski stated that the engagement letter for the FY 2011 Audit from Blum Shapiro was unchanged with only the dollar amount adjusted. He also noted that next year the candidates will be limited to only three firms.

Upon a motion by Mr. Ramer, seconded by Mr. Pellegrino, the Committee voted 3 – 0 to recommend to the BET at the May 12, 2011 meeting the retention of Blum Shapiro for the FY 2011 Audit, based on the engagement letter.

7. Items for Discussion future BET Audit Committee Meetings
Town leases and sub lease provisions

Mr. Mynarski stated that by his May 13th meeting with the First Selectman he should receive the RTM finalized report. Mr. Norton added his opinion that a policy should evolve from the Audit Committee which should then be recommended to the full BET, stating that sub leasing should not be permitted. He also stated that if sub leasing is occurring that it should not be a revenue generator since that revenue is property of the Town.

A discussion followed regarding the responsibility of making such a policy recommendation. Mr. Norton said that if revenue is generated it is a financial matter hence it is the Audit Committee's responsibility under charter. Mr. Pellegrino and Mr. Ramer agreed.

Upon a motion by Mr. Ramer, seconded by Mr. Pellegrino, the Committee voted 3 – 0 to recommend to the full BET a policy established by appointing authorities on sub leasing of Town property.

5. Fiscal 2010 Audit Management Letter

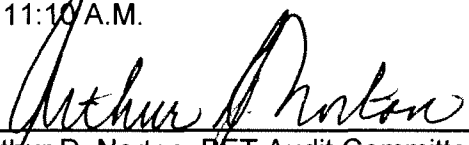
There was no discussion on this item.

6. Old Business Item Review


There was no discussion on this item.

9. Adjournment

Upon a motion by Mr. Norton, seconded by Mr. Pellegrino, the Committee voted 3 to 0 to adjourn the meeting at 11:10 A.M.



Arthur D. Norton, BET Audit Committee Chairman



Elaine JV Brown, Recording Secretary