

BOARD OF ESTIMATE AND TAXATION
Audit Committee Minutes
Thursday, May 11, 2017 – 8:00 A.M.
Gisborne Conference Room

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

Attendees: Jen Katz, Partner, RSM US LLP

Joining at 9:03: Peter Mynarski, Comptroller; Melinda Frame, Internal Auditor;
Megan Damato, Risk Manager

Others: Leslie Tarkington, BET Member

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

1. Executive Session with the Jen Katz, Partner, RSM US LLP to discuss upcoming Fiscal 2017 Audit

Upon a motion by Mr. Mason, seconded by Mr. Blankley, the Committee voted 4 to 0 to go into Executive Session at 8:03 A.M. to discuss the Fiscal 2017 Audit.

Upon a motion by Mr. Mason, seconded by Mr. Blankley, the Committee voted 4 to 0 to come out of Executive Session at 8:53 A.M.

A motion was made by Mr. Mason, seconded by Ms. Oberlander to move to item #3 Internal Audit Report. Mr. Norton requested that Ms. Katz remain with the Committee as it reviews the Internal Audit Report.

2. Internal Audit Report

• Update on Parking Services Audit Report

Ms. Frame had added an addendum to the report of a cash revenue investigation. The results led to the arrest of a Parking Services employee on April 17, 2017, who was charged with larceny and forgery, with a misdemeanor count of making a false entry as a government agent. After confessing to police, the employee resigned on April 21, 2017. The employee was arraigned in Superior Court on April 24. A plea will be entered on May 26, 2017 when a future date will be set for either sentencing or trial.

Management responses:

- Physical custody of the smartcard inventory was taken on November 4, 2016 and distributed to staff in small quantities.
- Worked with vendor to re-establish recharge activity log, date of completion December 6, 2016.
- Will implement new policies for receiving and recording receipts and transaction adjustments. Mr. Norton requested a completion date.
- Will control and monitor employee access and access to transaction record. Mr. Norton requested completion date.
- Re-examine policies to a large portion of manually processed voids and reductions. Mr. Norton requested completion date.

- Ms. Azrelyant, Director Parking Services will increase 2020 budget to enable a strategic plan to increase parking stations.
- Replaced outdated multi-space machines and parking lot pay stations implemented December 30, 2016.
- Identify and deposit daily meter and pay stations by location, reconcile and document receipt activity reported by pay stations, implemented February 1, 2017.
- Ms. Frame will follow up with Ms. Azrelyant to ensure Best Practices of periodic rotation of cash handling employees.
- Ms. Azrelyant disagrees with a recommendation to reduce the number of smartcard increments offered. Ms. Frame reported that she was told that the practice of issuing smartcards in \$5.00 increments is a value to the customer, a customer service decision.

Mr. Mynarski recommended that Mr. Kordick and Ms. Azrelyant attend the June meeting to review progress made on the re-write of the department's policies and procedures. He asked Ms. Katz to work with Ms. Frame and expand the annual audit to include testing of these new procedures. Ms. Katz will speak with RSM colleagues to discuss scope and approach, noting that there would be a forensic cost associated.

Ms. Oberlander questioned whether the TOG's insurance would compensate for lost revenue. Mr. Mynarski replied that the Town would have to determine the total amount and Ms. Damato submit a claim. Ms. Damato noted that there is a \$50,000 (fifty thousand dollar) deductible, but will discuss with insurance carrier.

Upon a motion by Ms. Oberlander, seconded by Mr. Blankley, the Committee voted 4 to 0 to retain RSM US LLP to perform an audit by the Forensic Audit Unit of RSM US LLP.

Ms. Oberlander asked Ms. Frame to forward an updated report draft prior to the June meeting.

- **Audits-in-Progress**

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

Ms. Frame will present initial draft at the June 8, 2017 meeting. A satisfactory review of cash handling expected.

3. Old Business

- **Fiscal 2016 Audit**

- **Management Letter 2016 Responses Update**

Capital Assets: Mr. Mynarski and Mr. Gieger have been working with the RTM Budget Overview Committee regarding Nathaniel Witherell, and they are expecting to have a sample on the number of departments with fixed assets. He is planning on extending the project thru the summer months, visiting several locations.

4. Risk Management Report

- **Frenkel & Company Insurance Renewals**

Mr. Jose Irizarry, Sr. V.P., Frenkel & Company will be attending the July 13, 2017 meeting for a re-cap. Mr. Norton mentioned his concern with general liability coverages.

- **Safety Inspection Updates**
 - **Frenkel & Co. Safety Report for Central Middle School Gymnasium and Locker Rooms Update**

Ms. Damato presented responses from the BOE to the inspection recommendations.

Management responses:

- Padding displacement and protruding fasteners need replacement. Repairs will be included in the upcoming capital funds request.
- Fresh air duct no longer in service needs to be addressed. Repaired.
- Boys' Shower Room cover vent of the fresh air duct needs replacement. Temporarily boarded.
- Removal of storage equipment. BOE will find a suitable storage location.
- Repair or replace steel frame of doorway entrance to boys' lavatory. Repairs will be included in capital funding project to update boys' locker room and bathroom.

Mr. Norton expressed his frustration with the lack of completion dates. Ms. Oberlander asked whether there is a facilities report containing the BOE's long term plan and questioned if the Town is adequately funding capital projects.

- **Tools for Schools Update**

Ms. Damato will follow up next week on a complaint of sewer/septic smells at Central Middle School. The custodian stated that boiler room repairs may possibly be the source. There were also reported "smells" from the Science Rooms. Mr. Matten, Director of Facilities, BOE explained that gaskets on some chemical bottles were discovered and would be remediated as they have been at Eastern Middle School. Ms. Oberlander asked if it was a possible chemical risk and if an insurance inspection would be appropriate or if the Fire Department has a procedure for this problem. Mr. Norton recommended to check with the Fire Marshal. Mr. Mynarski advised Ms. Damato to examine protocol with Mr. Matten.

Next inspection is slated for May 17th at the Glenville School.

- **Safety Inspection Updates**

- **Byram's William Street Field Inspection Update**

The bleachers have not been removed and remain a safety issue stated Mr. Norton. Mr. Mynarski will check with Mr. Lalli regarding his communication with Mr. Matten. Mr. Mason added that it is a BOE Building Committee issue and that the Audit Committee doesn't know when the bleachers will be removed.

- **FEMA Update**

Mr. Lalli continues to work on a part-time schedule with FEMA. Mr. Mynarski will monitor progress.

5. Approval of Audit Committee Minutes:

- **Audit Committee Meeting March 9, 2017**

Upon a motion by Mr. Mason, seconded by Mr. Blankley, the

Committee voted 4-0 to approve the March 9, 2017 Meeting Minutes, as amended by Ms. Oberlander.

- **Audit Committee Meeting April 13, 2017**

Upon a motion by Mr. Mason, seconded by Mr. Blankley, the Committee voted 4-0 to approve the April 13, 2017 Meeting Minute, as amended by Ms. Oberlander.

- **Audit Committee Special Meeting April 28, 2017**

Upon a motion by Mr. Mason, seconded by Ms. Oberlander, the Committee voted 3-0-1 to approve the April 28, 2017 Meeting Minutes, as amended by Ms. Oberlander.

6. New Business

The Committee had a group discussion.

Upon a motion by Mr. Mason, seconded by Mr. Blankley, the Committee voted 4-0 for the Internal Auditor to perform an audit of internal controls of the Sewer Division.

7. Items for Future BET Audit Committee Meetings

No discussion.

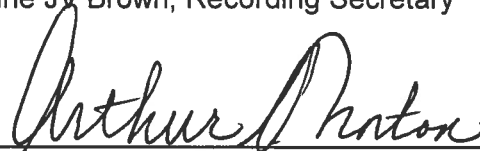
8. Adjournment

Upon a motion by Mr. Mason, seconded by Mr. Blankley, the Committee voted 4-0 to adjourn the meeting at 10:54 A.M.

The next Audit Committee Meeting is scheduled for June 8, 2017 at 8:00 A.M. in the Gisborne Room.



Elaine J.V. Brown, Recording Secretary



Arthur D. Norton, BET Audit Committee Chairman