BOARD OF ESTIMATE AND TAXATION  
Audit Committee Minutes  
Thursday, July 13, 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; Megan Damato, Risk Manager; Jose Irizarry, Senior Vice President, Frenkel & Co.; Scott Richter, Sr. Director, RSM US LLP; Chris Fitzgerald, Supervisor, RSM US LLP; Mark Kordick, Captain, Police Detective Division

Others: Leslie Tarkington, BET Member; Ron Lalli, former Risk Manager

The regular meeting was called to order at 8:05 A.M.

1. Approval of Audit Committee Meeting Minutes of June 8, 2017

Upon a motion by Mr. Mason, seconded by Ms. Oberlander, the Committee voted 4-0 to approve the June 8, 2017 Meeting Minutes.

2. Internal Audit Report

- Update on Parking Services Audit Report including Forensic Audit by RSM US LLP
  The forensic audit began on July 5, 2017. Mr. Richter stated that RSM US LLP has developed a scope of work to validate the loss as discovered by Internal Audit. They will follow the scope as agreed with a start date of 2012 as a result of records prior to 2012 not being maintained properly. Mr. Blankley stated that with limited hard evidence and lack of video access, the actual total loss would be speculative. The auditors agreed to update the Committee as they progress.

- Audits-in-Progress:
  - Cash Handling in the Office of the Town Clerk
    The draft report was reviewed by Mr. Mynarski and because of some discrepancies he encouraged further review of cash handling. Ms. Frame stated that the discrepancies are largely due to the way the Office manages its change fund and that she would be recommending a working cash fund to provide change to customers, per the Town’s accounting policies. Ms. Oberlander recommended a low change fund dollar amount be held in each register. Under staffing is a serious issue for the Office affecting cash handling. Further training will improve cash handling practices. The department’s reply to the initial audit is expected next week with the report presented at the September meeting.

  - Grass Island Waste Water Treatment plant – Septic Disposal Audit
    Ms. Frame will focus on septic disposal tickets collected at the treatment plant next week. Ms. Oberlander asked if the camera to record septic haulers has been replaced. Ms. Frame replied that it had not and that she believes that the replacement may be rolled into an upcoming capital project. Ms. Oberlander
recommended that Amy Siebert, Commissioner of Public Works be made aware of the months that it has been out of service.

Mr. Mynarski stated that a cash handling review was requested by BET Member Nancy Weissler for the Human Services Department. Although good cash handling practices were in place, there was a loss of after-school program cash from a department safe. Alan Barry, Commissioner of Human Services has not request a reimbursement from Finance and the Board of Social Services has been advised. Police are investigating. The matter has been brought to the attention of the Board of Social Services by Mr. Barry. Ms. Frame will add these subsequent events to the memo she circulated to the Audit Committee, dated December 2016.

3. Risk Management Report

- **Safety Inspection Updates**
  - **Byram's William Street Field Inspection Update**
    Ms. Damato submitted photos showing completed recommendations including relocated field fencing, signage posting and bleacher removal. Mr. Norton added that even with these recommendations the field is still unsafe and not a flat surface.

- **FEMA Update**
  Ms. Damato is waiting for funds. No additional information is needed to be submitted.

- **Review of Insurance Renewals – Mr. Jose Irizarry, Frenkel & Co.**
  Mr. Irizarry presented a premiums renewal comparison of 2016 to 2017. Casualty coverage for special excess liability first, second, third and fourth layers all indicate a premium reduction for 2017. Mr. Mynarski questioned coverage regarding a large pending settlement. Mr. Irizarry replied that the insurance company at the time of the claim is on notice and will cover it.

  Excess workers' compensation has an increase of approximately $33,000 (thirty three thousand dollars) due to a lower self-insured retention, and a slight increase in auto physical damage. Mr. Norton questioned whether the forensic accounting fees, in relation to the Parking Services Audit, would be covered. Mr. Irizarry replied yes from dollar one. Whatever cost arise will be reviewed as a case for reimbursement.

  Fiduciary liability, miscellaneous medical policy and medical excess remain at previous premiums. Nathaniel Witherell's general, professional and excess liability premiums decreased after a carrier change, as well as Bruce Museum's fine arts. Property coverage through ACE American Insurance Co. shows an increase of $89,600 (eighty nine thousand, six hundred dollars) a value increase. Marina coverage for hull and machinery, protection and indemnity, pollution, marina operators' legal liability, first, second and third layers of excess protection and indemnity/pollution saw a decrease of $3,658 (three thousand, six hundred fifty eight dollars).

  Mr. Lalli recommended an outside revaluation of buildings since it was last completed in 2001. Ms. Oberlander questioned insurance certification of boats in winter storage, slips, marinas, etc. Ms. Damato said she believes that certificates of insurance are held on all boats but will verify. Next group of policy renewals will be in September covering student accident, cyber liability, etc.

4. Old Business
• Fire Marshal Inspections Update
  An update will be presented at the September 2017 meeting.

• Fiscal 2016 Audit
  o Management Letter 2016 Responses Update
    Police Extra Duty Receivables: Mr. Mynarski stated that after meeting with Captain Kordick the comment will be satisfied.

    Captain Kordick stated that the department is contemplating new software implementation. The present software, VCF Software, POSS (Police Officer Scheduling Service) will cease support in the near future and a new RFP will be needed for a replacement product. Considering security and resiliency, the cloud is problematic for Police. Breakage of internet or outage could create disastrous safety scenarios.

    While researching a vendor replacement, the department is considering outsourcing the entire process to include payroll, scheduling, and accounting. It would be a year-long process with a probable January 2018 completion.

Ms. Oberlander questioned whether the computer changes in Parking Services had been completed. Captain Kordick replied that physical delivery is set for September 1st. He noted that accounting and controls have greatly improved since July 1. Ms. Frame will update the Committee at the September meeting.

5. New Business
   No discussion.

6. Items for Future BET Audit Committee Meetings
   Possible meeting date changes for October and November meetings need to be discussed.

7. Adjournment

   Upon a motion by Mr. Blankley, seconded by Mr. Mason, the Committee voted 4-0 to adjourn the meeting at 9:54 A.M.

The next Audit Committee Meeting is scheduled for September 14, 2017 at 8:00 A.M. in the Gisborne Room.

Elaine JV Brown, Recording Secretary

Arthur D. Norton, BET Audit Committee Chairman