

BOARD OF ESTIMATE AND TAXATION
Audit Committee Minutes
Thursday, July 15, 2010 - 8:00 A.M.
Gisborne Conference Room

Present:

Committee: Arthur Norton, Chairman
Joseph Pellegrino, Jeff Ramer, William Kelly

BET: Nancy Barton, William Finger, Randall Huffman, Leslie Tarkington

Attendees: Peter Mynarski, Comptroller; Ron Lalli, Special Projects
Coordinator; John Crary, Town Administrator; Tod Laudonia,
Tax Collector; Brenden McDonough, Assistant Tax Collector;
Boris Hutorin, Director of Information Technology
Jose Irizarry, Senior Vice President, Frenkel & Co., Inc.

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

1. Approve Minutes for June 10, 2010 Audit Committee Meeting

Upon a motion by Mr. Kelly, seconded by Mr. Ramer, the Committee voted 4 - 0 to approve the June 10, 2010 Minutes.

Upon a motion by Mr. Pellegrino, seconded by Mr. Kelly, the Committee voted 4 - 0 to postpone agenda item # 2, "Review of Operational Plan Parking Services Department", till the September 9, 2010 meeting.

3. Risk Manager Report:

Discussion Cyber Liability Insurance

Mr. Irizarry, Senior Vice President, Frenkel & Co., Inc. presented to the Committee his a description of cyber liability insurance. He discussed reasons that the Town should be interested in this coverage, the Town Charter, the indemnification issue and the Town's exposure to liability. The current Town program has a one million dollar self insured retention so it can not indemnify with another party based on the Town Charter and how it is written. His recommendation is to purchase first dollar cyber liability insurance policy which would also address the issue of the Town obtaining driving records of its employees from the State of New York, Division of Motor Vehicles.

Mr. Norton also cited another similar dilemma with a federal grant worth over six hundred thousand dollars, the Glenville School roof. CL&P will not sign off on the project without indemnification. Mr. Irizarry stated that there is an underwriter review of the specifications for panels and recommended a first dollar general liability policy for that instance.

Mr. Irizarry noted that cyber insurance is a relatively new product and he suggested that underwriters do an actual assessment, at no cost to the Town. The cyber insurance would be an addition to the current policy.

Mr. Irizarry detailed suggested coverage in relationship to the Town's possible website liability such as slander, extortion, security and personal issues, also referred to as "hackers insurance". Currently the Town has no such coverage. He continued that coverage could be offered to include cyber extortion and business interruption options. Mr. Irizarry stated that an assessment is needed to show the Town's exposure which will be reflected in the cost. Mr. Norton asked for Mr. Irizarry to coordinate this with Mr. Hutorin and Mr. Crary.

The insurance premium amount was questioned with Mr. Ramer requesting a three part quote including: 1) only liability coverage in reference to the New York DMV issue, 2) the entire package of cyber insurance, including the website, and 3) minimum insurance coverage to deal with the New York DMV indemnification and hacker liability coverage to protect the Town records on the electronic storage system (retirement, human resources, tax records).

Mr. Irizarry said he will respond to this request and he will also include a minimal deductible in some instances, that would possibly lower premiums.

Mr. Lalli volunteered to coordinate the completion of an underwriter's questionnaire brought to the meeting by Mr. Irizarry that would need to be completed before quotes could be received for different types of insurances that would protect the Town as a result of the motor vehicle checks performed.

Mr. Lalli concluded that the Law Committee had met the day before (July 14, 2010) and there was sentiment to move forward with the New York State DMV indemnification issue.

2010-2011 Property, Casualty, Professional Insurance Renewal Package

Mr. Irizarry distributed the updated 2010 Renewal Schedule of Insurance spreadsheet to the Committee. Mr. Kelly stated his concern that the Law Department continues the practice to accept certificates of insurance from contractors, naming the Town as additional insured without verification. A brief discussion with Mr. Irizarry followed concerning the difficulties gathering information.

After an initial review of the schedule results, Mr. Pellegrino questioned the overall increase in premiums. Mr. Irizarry stated that the Town's loss activity is causing concern to underwriters. A loss projection discussion followed. Mr. Mynarski added that currently the Town has \$3,000,000 (three million dollars) Risk Fund.

Mr. Irizarry continued explaining the premium increase in workers compensation coverage, which he believes is where the Town should concentrate efforts by reducing claims filed and losses. Ms. Barton added that in the past there have been substantial individual employee claims. Mr. Irizarry said that he anticipates \$5,000,000 (five million dollars) of worker compensation claims to be incurred in FY 2010 – 2011, with 80% (eighty percent) credibility.

Mr. Irizarry continued by reviewing auto physical damage coverage to vehicles over \$300,000 (three hundred thousand dollars), crime, fiduciary liability and Town property coverage. He noted an increased cost of \$75,000 (seventy five thousand dollars) in flood insurance. Marina coverage was reviewed with a few increases. Mr. Irizarry noted a \$109,000 (one hundred nine thousand dollar) reduction in liability at Nathaniel Witherell, as a result of its good loss record. Bruce Museum premium increased \$5,000 (five thousand dollars) a result of the increase in artwork value.

Mr. Norton noted the 1.5 % (one and one half percent) overall increase in premium. Mr. Irizarry agreed, and advised that the Town's culture has to change to be more safety conscious to enable it to realize savings in premiums.

Mr. Pellegrino stated in his opinion that the single area that needs improvement appears to be working to decrease workers comp claims going forward. Mr. Kelly disagreed and noted his concern again regarding the Law Department's policy concerning additional insured endorsements and stated that the Law Department should discuss this issue with the BET Law Committee. Mr. Norton agreed with Mr. Kelly's assessment.

Engineering Report Updates

Mr. Norton acknowledged that the Committee is expecting an update on the Engineering Reports and responses from Mr. Irizarry.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ramer, the Committee voted 4 – 0 to address agenda item # 7 next.

7. Old Business Items:

Voice Mail/VOIP subject to release condition

Upon a motion by Mr. Pellegrino, and seconded by Mr. Kelly, the Committee moved to delete subject to release condition and to put the item on the table for discussion.

Mr. Kelly stated that he opposed the request, preferring to spend the funds more efficiently on new technology. Mr. Norton expressed his concern that the current system will fail in a few months leaving the Town with a system collapse if not updated. Mr. Ramer expressed his fear of a system failure, and reluctantly approved the measure while lobbying the TOG to improve the communication system. Mr. Pellegrino stated his agreement with Mr. Kelly, and his fear of system failure also exists, adding that he would prefer to make a proposal to Mr. Crary and the Administration to look for a better solution. He added how he would have appreciated to have seen a better way to manage costs while utilizing technology and addressing the Town's needs initially.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ramer, the Committee voted 3 - 1 to delete the subject to release condition for the Voicemail/VOIP appropriation in the 2011 Budget. Mr. Kelly dissented.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ramer, the Committee voted 4 - 0 that the Audit Committee hereby recommends to the First Selectman that he form a working group to assess, research and evaluate appropriate and cost-effective technologies that can be applied to the Town of Greenwich operations, specifically, but not limited to, the communication system.

The Audit Committee respectively asks that the First Selectman respond within the next 90 (ninety) days of today's date July 15, 2010.

Mr. Kelly expressed his concern that the Town is not moving forward with technology.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ramer, the Committee voted 4 – 0 to address agenda item # 5 next.

Mr. Kelly excused himself from the meeting at 8:57 A.M., due to a prior engagement.

The meeting took a short recess at 9:00 A.M. and reconvened at 9:04 A.M.

5. Tax Collector Fiscal 2011 tax billing delay “explanation”

Mr. Norton began the discussion by requesting clarification of the following topics: the problem and the steps that lead to it, an explanation of the tax billing process and a remedy.

Mr. Laudonia introduced himself to the Committee and informed them that he has not been able to respond to questions posted by Mr. Simon, of the BET Budget Committee, regarding the delay in tax billing since he has been actively involved in the collection process. He condensed his assessment of the problem as a breakdown with the software vendor. When the Tax Collector’s information was input in MUNIS it was not acceptable due to a glitch in the software caused by an upgrade to the system that was completed in September 2009. The Tax Collector had no prior knowledge of this upgrade. Mr. Laudonia stated that he believes that the problem is not with the process but with the vendor. Mr. Norton asked for the tax bill procedure to be explained to the Committee to enable a full understanding of causes that lead to the delay in the billing processing.

Mr. McDonough then proceeded to explain the tax billing procedure, while creating a timeline for the tax bill problem that occurred.

- Monday, May 17 – Assessor’s Office received mill rate from BET and began to process credit applications.
- Friday, June 4 – Assessor notified the Tax Collector that they had completed the credit applications and that the file was ready.
- Monday, June 7 – The Tax Collector’s Office then takes the Assessor’s file and added their files in MUNIS. This process has 10 steps and usually takes a few days.
- Wednesday, June 9 – They proceeded to Step 8, “Generate Accounts Receivable” which links the actions of the Tax Collector Department with the Finance Department. This step never completed in MUNIS. The Tax Collector Office contacted MUNIS Help Desk.
- Friday, June 11 – Not having a response from MUNIS, the Tax Collector called MUNIS. By afternoon they sensed that the problem might be a larger issue and the MUNIS Help Desk tech elevated the problem to a higher level group review. Nothing was resolved.
- Monday, June 14 – The Tax Collector was making calls and in contact with the new technical group. MUNIS decided that the system needed to be “refreshed”. MUNIS planed to prepare the fix in the “test” database and then refresh in “live” database. (MUNIS utilizes three different databases for their software: train, test and live.)
- Wednesday, June 16 – At this point Mr. Hutorin was notified and Finance was aware of the problem.

Mr. Mynarski stated that since payments are needed by June 30, the Finance Department was monitoring the situation closely.

- Thursday, June 17 – Mr. Hutorin contacted Mr. Laudonia to review the situation and requested MUNIS Tax Support for daily updates.
- Thursday, June 18 - Mr. Mynarski notified the First Selectman's Office of the problem via email.
- Tuesday, June 22 – A conference call was placed by the Tax Collector's Office and Mr. Hutorin to MUNIS Tax Support. MUNIS then informed them that there was a "bug" in the system.

Mr. Hutorin described the interaction between the Town and MUNIS noting that the server is housed by MUNIS and that the Town is at the mercy of MUNIS when issues arise.

Mr. McDonough reported that during this time period, his department was working with MUNIS running partial files and responding to their requests in trying to solve the issue. It was a time consuming, frustrating process.

- Wednesday, June 30 – MUNIS arrived at a solution after fifteen days. The Tax Collector received the usable, workable file and validated sample files.

Mr. Hutorin continued that he contacted a manager at MUNIS to find out what exactly happened. He was told that the issue lies in the "test" database of MUNIS, which was updated in September 2009. If the Tax Department had run the files in the "live" database the problem would not have occurred.

Mr. McDonough stated that the Tax Department followed the correct procedure by performing a practice run in the "test" database, a normal industry practice. Mr. Hutorin concurred with the procedure used.

- Thursday, July 1 – Files were sent to print broker Hygrade Printing of Waterbury, CT, which is contracted with the Town since July 2009.

Mr. McDonough noted at this point the second part of the tax bill process begins.

The Town uses a lock box system with TD Bank and the printing must be checked for accuracy of characters and placement on the bills. Hygrade Printing over the July 4th weekend reviewed the files and puts our project in the queue of other jobs. Hygrade uses a network of printers that are appropriate for each job. Mr. McDonough stated that he had requested a local printer to speed the process since there was a problem in January 2010 with a printer located in Maine. He continued that normally there is a two-week period in which the printer and the tax department then work together to resolve any printing issues for accuracy.

- Tuesday, July 6 – The Tax Collector received proofs of the tax bills and was currently checking them for accuracy. Motor vehicle and property bills are printing as of today's meeting date.
- Weekend of July 17 – Tax bills should be arriving at residences.

Mr. McDonough stated that real estate bills need to be released to the printer still, but should will be mailed by the printer on July 17 or 19 and that all electronic bills were sent on July 1. Escrow bills, which are 35% (thirty five percent) of the TOG

accounts, should be received by the end of the month, due date is August 2. He said the lock box is currently in the proofing process and was sent to TD Bank in New Britain, CT on July 10. TD Bank and the printer had brokered a conversation between themselves to resolve any issues.

A group discussion followed to review a possible remedy for tax bill delay. Mr. Norton questioned whether MUNIS had other modules that would address these problems. Mr. Laudonia stated that he is investigating other alternatives for the Assessor and Tax departments but now their concern is the collection of taxes. Mr. Cray said that any software change town-wide would be a slow process and that currently the Town has a three-year contract with MUNIS. Mr. Pellegrino interrupted and noted that the discussion was more focused on the Tax Collector and Assessor offices.

Ms. Barton stated that the Committee needs to give Mr. Laudonia time to report back on this issue and raised the question of a possible claim for damages caused by the MUNIS, the broker and/or printer. Mr. Hutorin stated that he believes that the process used by the Tax Collector using the "test" database was the correct approach. Mr. Ramer questioned whether a test should have been run once notified that an upgrade was done to MUNIS. Ms. Tarkington requested that a timeline of events be created and disseminated to all BET members to be reviewed by counsel. Mr. Finger acknowledged the importance of this issue and asked for it to be taken up by the full BET.

Mr. Norton concluded by thanking Mr. Laudonia, Mr. McDonough, Mr. Hutorin and Mr. Cray for their contributions to the discussion.

Mr. Laudonia, Mr. McDonough, Ms. Tarkington, Mr. Hutorin, Mr. Finger, Ms. Barton, Mr. Cray and Mr. Huffman left the meeting at 10:34 A.M.

4. Internal Audit Report

Mr. Lalli presented the Limited Scope Management Review of selected Procurement Practices for the New Public Safety Building to the Audit Committee.

Mr. Lalli explained the relationship between the Police IT Department and the TOG IT Department. He noted the different IT architectural structures between the GPD and the Town. He noted that both the Town's IT Department and the GPD had expressed cooperation regarding the recommendation that the two groups meet on a periodic basis to discuss IT issues.

Mr. Lalli spoke briefly about the substantial cost and effort involved for the GPD in maintaining its dispatch and wireless communications efforts. He explained that the GPD is willing to look at the possibility of separating some of these costs. He emphasized that the recommendation he made to perform further research in this area and that the recommendation was for consideration at this time. One possibility mentioned would be to segregate these costs to a separate division within the GPD in the next budget cycle to allow for consideration of the ramifications of such a step. He noted the GPD response of "We are happy to consider the breaking out of costs into separate operational codes for the provision of "communications" services to other departments. i.e., Public Safety dispatching and the 800MHz radio system used Town wide. We welcome any input from the appropriate BET committee(s)."

Mr. Lalli noted that a motion by the Audit Committee to support this recommendation should be helpful.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ramer, the Committee voted 3 – 0 to support and recommend to separate both the Public Safety Dispatching and the 800MHz radio system.

Mr. Lalli then continued with an update of the DMV License Project, the review of 680 (six hundred and eighty) licenses of which approximately 100 (one hundred) are from the State of New York. The examination found a total of 4 suspended licenses with a 5th license that was due for suspension but was reinstated prior to the Audit Committee meeting. Mr. Lalli stressed the importance of this review to eliminate and reduce the risks for the Town.

Mr. Norton asked Mr. Mynarski to contact Jose Irizarry, Senior Vice President, Frenkel & Co., Inc. to review the risks for the Town in this area.

Mr. Lalli concluded by discussing the upcoming Non-Automated Fuel Sites Audit.

Mr. Pellegrino reverted back to Item #7 to clarify a few open topics for the Audit Committee.

- **MUNIS vs. GAPP**
Update to following in September – per Mr. Mynarski
- **Marine Slip Fees**
75% - 80 % (seventy five to eighty percent) have paid. Parks and Recreation have been doing a good job at collections. - per Mr. Lalli
- **Alarm Past Due Receivables**
Last chance before court letters were sent – per Mr. Mynarski
- **Internal Audit /Risk Manager**
Very active item, Mr. Lalli, Mr. Mynarski and Mr. Cray are working on wording of position – per Mr. Mynarski
- **BOE Reimbursements Glenville and Hamilton Avenue Schools**
Glenville has been received but Hamilton Avenue has been held up due to \$218,000 (two hundred eighteen thousand dollar) law suit – per Mr. Mynarski

6. Fiscal 2010 Audit

Not discussed.

8. Items for Discussion future BET Audit Committee Meetings

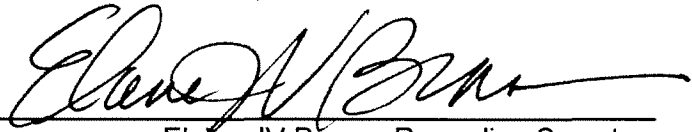
Not discussed.

9. Adjournment

Upon a motion by Mr. Ramer, seconded by Mr. Pellegrino, the Committee voted 3 - 0 to adjourn the meeting at 11:19 A.M.



Arthur D. Norton, BET Audit Committee Chairman



Elaine JV Brown, Recording Secretary