

BOARD OF ESTIMATE AND TAXATION
Audit Committee Minutes
Friday, July 29, 2016 – 8:00 A.M.
Gisborne Conference Room

Present

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

Attendees: Peter Mynarski, Comptroller; Ron Lalli, Director Risk Management; Ron
Matten, Director of Facilities, BOE; Ben Branyan, Town Administrator

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

1. Approval of Audit Committee Minutes:

• **Audit Committee Meeting June 9, 2016**

Ms. Oberlander requested an adjustment to her initial changes on Page 3 of the minutes.

Upon a motion by Ms. Oberlander, seconded by Mr. Blankley, the
Committee voted 4 - 0 to approve the amendments suggested by Ms.
Oberlander.

Upon a motion by Mr. Blankley, seconded by Ms. Oberlander, the
Committee voted 4 - 0 to approve the June 9, 2016 Meeting Minutes,
with Ms. Oberlander's copy changes.

2. Nathaniel Witherell Pavilion – Governance Issue

Mr. Branyan, working with Community Development, reported that the five apartment rentals located in the Nathaniel Witherell (N.W.) Pavilion are not on the affordable housing list. Thus, the governance of such location is the responsibility of the N.W. Board of Trustees, and currently supported by the Office of the First Selectman. Agreements signed with various entities during the 1980's, flipped this accountability between the Board of Trustees and the Town.

Mr. Mason noted that the varying rental rates should be reviewed by N.W. as well as eligibility clarification. Mr. Branyan will compose a formal memo with the Office of the First Selectman's recommendations to present at the September Audit Committee Meeting.

Upon a motion by Mr. Blankley, seconded by Ms. Oberlander, the
Committee voted 4 - 0 to move to agenda item #7, to enable Mr.
Branyan's participation.

7. Items for Future BET Audit Committee Meetings

A possible future Parking Services Audit was prompted by comments directed to Mr. Mynarski by BET Members. Mr. Lalli recommended an analytical review of revenue collection and a detailed examination of the void process. Ms. Oberlander questioned the effectiveness of new technology being implemented and the impact on manpower. Mr. Branyan stated that this will be addressed during the department's review.

Upon a motion by Ms. Oberlander, seconded by Mr. Blankley, the
Committee voted 4 - 0 to conduct a limited scope Parking Services

Audit with areas of emphasis being an analytical review of revenue, coin collection and void process.

Mr. Mynarski stated that Mr. Larry Simon, Chairman, Board of N.W., has asked to place N.W. back into the general fund and questioned whether this governance should come before the Audit Committee. A formal request from N.W. regarding this request may be on the September meeting agenda. Mr. Norton stated that a performance review needs to be built with exact costs before moving forward.

Ms. Oberlander suggested an audit of sole source procurement which does not require a bidding process. Mr. Lalli recommended that the Committee discuss the scope of the audit. Mr. Mynarski will invite the new Purchasing Director, Mr. Chuck Zsebik to attend the September meeting for this item.

3. Risk Management Report

- **Update on Insurance Contract Renewals**

Fiscal 2017 projected favorable approximately \$500,000 (five hundred thousand dollars).

Property: The Town is in good shape switching to Chubb. Property Insurance premiums decreased \$348,000 (three hundred forty eight thousand dollars). Chubb included all basic coverage from the prior carrier. Limits for named wind storms increased \$150,000,000 (one hundred fifty million dollars) to \$350,000,000 (three hundred fifty million dollars) and Construction In Progress (CIP) limit increased \$25,000,000 (twenty five million dollars).

The CIP limit is used to avoid the purchase of costly builders risk policy for New Lebanon. Ms. Oberlander and Mr. Lalli discussed the policy for construction projects which requires contractors to acquire workers' compensation as well as general liability.

A transfer of \$25,000 (twenty five thousand dollars) was made from the Risk Management Budget to Parks and Recreation (P&R), for a pilot program to fund their own at fault accident costs. Due to a cut to the P&R Budget by the RTM, the benefit might not be recognized. Mr. Norton recommended a discussion with Mr. Branyan to ensure continuation and expansion of the pilot program to other Town departments.

Workers' Compensation & Employers Liability Coverage: Renewed at a slightly lower premium than Fiscal 2016.

School Sports Accident: Accident reports have been positive in Fiscal 2016, resulting in a favorable rate of \$201,587 for fiscal 2017, a decrease of \$16,000 (sixteen thousand dollars). Contract renews August 1.

Cyber Liability: The current coverage is capped at \$1,000,000 (one million dollars). Frenkel & Co is exploring the cost benefit of increasing the coverage limit. Contract renews September 1.

General Liability: Mr. Lalli presented a chart of market responses prepared by Mr. Jose Irizarry, Sr. V.P., Frenkel & Company. Premiums are affected unfavorably by claims versus the Town. Ms. Oberlander questioned past cases and their impact on market comments. Mr. Norton stated that insurers include an estimate for incurred losses and the cost of settlements, including attorney fees, deposition costs, etc.

Fiscal 2017 premiums for liability coverage will increase approximately \$185,000 (one hundred eighty five thousand dollars). The Self Insured Retention (SIR) will rise from \$1,000,000 (one million dollars) to \$1,500,000 (one million, five hundred thousand dollars).

- **Safety Inspection Update**

Mr. Lalli reviewed a chart indicating inspection results at each location.

North Street School: Down drain repaired, drain cleared, completed tree removal, wood chip cushioning under swings remediated

Eastern Middle School: Shipping dock stairs and railing repaired, tree limbs removed, dust collector fencing locked remediated

Cardinal Stadium: Shoring of braces to damaged vertical support columns, steel column deterioration has been temporarily remediated. Mr. Matten, Director of Facilities, BOE has indicated that a long term plan to address steel columns will be included in the BOE Budget as a Capital Improvement Project (CIP).

Ms. Oberlander asked about the Town's tree inspection and removal program. Mr. Lalli noted claims from tree damage have not decreased by the same percentages of other types of claims. Mr. Mason explained the three layers of response: 1) The Tree Department, part of P&R, which covers the day to day issues. Their list is at least six months long. 2) The Tree At Risk Program, an outside program, which responds to storm damage and 3) CT utility companies (Eversource, CL&P) which are more than willing to aggressively prune trees from their wires. The results are usually followed by resident complaints regarding appearance.

- **FEMA Update**

Mr. Lalli advised the Committee that he has closed the last two remaining FEMA project worksheets for Hurricane Sandy. The last project worksheet to be closed was for Island Beach damage. The closing of the last worksheets lifted a significant burden from the Risk Manager's work load. Another \$1,500,000 (one million, five hundred thousand dollars) in receivables is expected.

- **Final Fiscal 2016 Results for Insurance Recoveries**

Final fiscal 2016 insurance recovery results were \$319,793 (three hundred nineteen thousand, seven hundred ninety three dollars). Actual cash received by Risk Management since May 2012 is \$3,515,067 (three million, five hundred fifteen thousand, sixty seven dollars), and it includes Hurricane Sandy damage recoveries.

4. Internal Audit Report

- **Update on Draft Internal Audit Limited Scope Report on Town Leases**

Mr. Lalli distributed the Town Administrator's response indicating that the Office of the First Selectman has no plans to investigate the sewer tax issue as it relates to leases.

Mr. Mason stated that the problem is that the Town has written agreements for "the times they were written". Ms. Oberlander noted that many leases are auto renew and that the issue needs a holistic review. She recommended that the Committee approve the draft limited scope audit as is.

Upon a motion by Ms. Oberlander, seconded by Mr. Blankley, the Committee voted 4 - 0 to accept the Draft Internal Audit Limited Scope Report on Town Leases.

Mr. Lalli will distribute the report to the BET Members and post on the TOG Website.

5. Fiscal Year 2016 Annual Audit Update

Mr. Mynarski stated that this is the fifth year with RSM, LLP (McGladrey) and a RFP will be required in January 2017. He indicated that the draft submission date of November compromises accuracy, and puts pressure on the auditors to obtain department submissions. A discussion followed concerning departments response to submission requests within a timely manner.

Mr. Mynarski mentioned that the external auditors have requested to view all vendor files and employee information, which is supplied to the Board of Ethics. Withstanding the State deductions in funding, a preliminary \$3,000,000 (three million dollars) surplus is expected.

6. Old Business

None

7. Items for Future BET Audit Committee Meetings

8. Adjournment

Upon a motion by Mr. Mason, seconded by Mr. Blankley, the Committee voted 4-0 to adjourn the meeting at 10:34 A.M.

The next meeting of the Committee is scheduled for September 8, 2016 at 8:00 A.M. in the Gisborne Conference Room.



Arthur D. Norton, BET Audit Committee Chairman



Elaine JV Brown, Recording Secretary