

BOARD OF ESTIMATE AND TAXATION
Audit Committee Minutes
Thursday, October 14, 2010 - 8:00 A.M.
Gisborne Conference Room

Present:

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

Attendees: Peter Mynarski, Comptroller; Ron Lalli, Special Projects
Coordinator; David Demchak, V.P. President for Risk Management
Services and Business development CIRMA; John Crary, Town
Administrator

The meeting was called to order at 8:07 A.M.

1. Approve Minutes for September 9, 2010 Audit Committee Meeting

Upon a motion by Mr. Ramer, seconded by Mr. Pellegrino, the Committee voted 3 - 0 to approve the July 15, 2010 Minutes.

Mr. Kelly arrived at the meeting at 8:10 A.M.

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

4. Internal Auditor Report

Discussion Points of Motor Vehicle Checks for Town Employees

Mr. Lalli presented the findings of the first cycle of the audit process and stated that the final audit will be presented at the November 2010 Audit Committee Meeting. The New York State DMV Application has been processed and accepted. Mr. Lalli stated that using a totally automated process, 89 (eighty nine) N.Y. records have been processed. 636 (six hundred thirty six) CT motor vehicle records have been checked also. He added that the 6 remaining out of state license holders have been checked by Human Resources through its paid service that it has instituted for all new hires. As a result all submitted driver license have completed the first cycle. Mr. Lalli stated that the Town will now perform these checks on an annual basis and that no employees are allowed to drive on Town business unless the necessary driver's license and endorsements are in place.

He continued that he is working with HR currently to develop a "can drive list" for all employees who will be driving a Town vehicle or who will be driving their own vehicle for Town business.

Mr. Lalli stated that another open item for the Human Resources Department is to determine the steps to be taken for employees that currently have valid licenses but have had suspensions while employed by the Town. Mr. Norton questioned the possibility of annual drug and/or alcohol testing as a safety measure. Mr. Lalli noted that this item is an open discussion, along with the procedures and policy for this project, which is on Ms. Kast, Director of Human Resources agenda presently. He said it was

his opinion that the audit report should help focus all the parties in developing a policy. He also stated that the "can drive list" should spur departments to produce more participants once they realize that their name is not on the list

Along with the other items Mr. Lalli stated that he working with assistance from HR to attempt to determine the impact of the Department of Transportation's Federal Motor Carrier Administration requirement of employers of CDL holders to perform annual independent checks of motor vehicle records. Mr. Lalli concluded that the final Audit report will be presented to the Audit Committee in November or December and will be distributed to the entire BET.

Re-Audit of Fleet Department

Mr. Lalli stated that due to the absence of Mr. Domeseck, Fleet Director who is currently on sick leave, the report will be submitted at a future date. He noted that currently he is assembling some analytical data regarding the Parts Department as well as detailed work examining parts purchases to ascertain if the Town has received the correct pricing. He stated that he did not find any discrepancies during the course of his detailed testing.

A group discussion followed initiated by Mr. Pellegrino questioning the department's cost efficiency vs. possible outsourcing of specific repairs/maintenance. Mr. Lalli added that Mr. Domeseck's background would be a great resource for such a review due to his prior responsibility of presiding over out-sourcing vendors, but noted that considerably more time would be needed to analyze the possibility of outsourcing the entire operation due to the many complexities and services that are required. He recommended that he report to the Audit Committee on the first part of the examination, which would be for the analytics for the outsourced parts room responsibilities as well as other major outsourced endeavors contracted by Fleet. A potential management report to determine the viability of outsourcing other major portions or the entire department would have to come at a future date

Upon a motion by Mr. Ramer, seconded by Mr. Kelly, the Committee voted 4 – 0 to recommend the Internal Auditor to perform an Internal Review of the Fleet Department and to report back to the Audit Committee at a future date.

Audit of Purchasing Department

Mr. Lalli stated that he has just currently opened this audit project.

2. Risk Manager Report:

Cyber Liability Insurance

Mr. Norton stated that the Town purchased Cyber Liability Insurance on September 9, 2010 with a cost of \$19,541.60 (nineteen thousand five hundred forty one dollars and sixty cents).

Engineering Reports

Mr. Norton stated that in November the BOE will be returning with responses from last year's Engineering Reports and this year's three reports (Glenville School, Hamilton Avenue School and Western Middle School) from Frenkel & Co.

Public Safety Facility Report

Mr. Mynarski stated that the Public Safety Facility Report has been completed and sent to Mr. Greg Hannigan, Director General Services Division Police Department, with a response presentation expected in January 2011.

Tools for Schools

Mr. Mynarski stated that Ms. Chipouras, Director of Facilities BOE is scheduling all schools in October with himself and Mr. Lalli surprise picking two schools to inspect. He expects to report back at the BET Audit Committee's November Meeting.

Mr. Demchak arrived at the meeting at 10:00 A.M.

CIRMA Work Place Safety Assessment Study

Mr. Demchak introduced himself to the Audit Committee and presented the Proposed Workers' Compensation Risk Management Review. He noted that the last comprehensive report was completed in 2005 with a number of findings relating to an operational risk management perspective and a strategic approach with several recommendations.

Mr. Demchak explained the scope of the review to include assessing the function of risk management within the Town with two elements, qualitative as well as quantitative. CIRMA will approach it with a focus on workers compensation at the operational level with each department and with a loss analysis focus on workers comp. When doing the qualitative piece of the assessment they will touch on issues that will be global in nature that will impact the liability, property and casualty aspect of risk management, maybe even the health side to some extent. He continued that CIRMA will do a strategic overview assessment of risk management. The review will look at loss analysis and complete a detailed review of the Town and for each operational area revealing what the loss factors exist. He added that another piece of the loss analysis is the understanding of the cost of risk and how to measure that cost relative to your operating revenues, relative to mill rate, relative to other financial benchmarks. He continued that with the qualitative work they will sit down with each department and what measures they are taking to manage risk.

Mr. Kelly requested from Mr. Demchak a brief overview of CIRMA and its history. Mr. Demchak responded with a history of CIRMA's background. Started in 1980 it currently employees 85 (eighty five) employees and handles Workers Compensation Third Party Administration Services and Liabilities for the Town. The company currently services 344 (three hundred and forty four) municipalities throughout the state equaling 85% (eighty five percent) of the marketplace. Mr. Demchak added that six Risk Management Consultants would be involved in the Town's proposed review.

A group discussion evolved regarding the cost of the review and the possible savings for the Town. Mr. Pellegrino expressed the need for a clear analysis of what is needed to lower the Town's losses. Mr. Demchak stated that once the report is complete the Town needs an internal structure to support the recommendations to see a reduction in losses. Mr. Pellegrino questioned whether recommendations from the 2005 review were ever completed. Mr. Mynarski reviewed a few worker compensation claims and the high cost associated with healthcare currently.

Mr. Norton stated that if used properly this study is extremely useful to the Risk Manager. He continued that it is all about execution and should be departmentally reviewed to develop allocation methodology of costs of risk to departments. Mr. Pellegrino recommended seeing some concrete steps taken such as a line item in each department's budget showing the cost of risk in that department. Mr. Demchak added that in-direct costs such as temporary employees should be included. He then offered to present the Cost Allocation Model to the Town for its use.

Mr. Kelly asked for Mr. Mynarski, Mr. Lalli and Mr. Demchak to work together to help structure department budgets to include these costs. Mr. Kelly also questioned whether they would be able to get the formula from Mr. Demchak to complete a cost allocation on each department and report back to the Committee in November.

Mr. Demchak stated that the review will be qualitative and quantitative with the cost of risk vs. the overall operating expense of the Town and will summarize the report findings in plain black and white. He asked if the Committee will like a preliminary look at the report to be sure everyone is satisfied with its content. Mr. Demchak concluded that a preliminary report, draft form will be ready for the January 13, 2011 BET Audit Committee Meeting for review.

Upon a motion by Mr. Kelly, seconded by Mr. Ramer, the Committee voted 4 – 0 to accept CIRMA's Proposed Workers' Compensation Risk Management Review.

Mr. Cary arrived at the meeting at 9:57 A.M.

5. Discussion of Audit Committee July 2010 Recommendation to the Office of the First Selectman to create Technology Committee

Mr. Cray stated that basically the committee is not a technology committee but a response to a request by the BET Audit Committee for the First Selectman to form an ad-hoc group to look at how to improve communications between Town employees and the public from a technology perspective, such as alternatives to voicemail. Mr. Cray extended an invitation from the First Selectman to Mr. Pellegrino and Mr. Kelly to join Ms. Ingalls, Telecommunications Coordinator/Buyer; Mr. Hutorin, Director of IT; Mr. Cray; a representative from BOE and possibly a member of the RTM District 7 to work together. Mr. Kelly and Mr. Pellegrino gladly accepted the offer.

Upon a motion by Mr. Ramer, seconded by Mr. Norton, the Committee voted 4 – 0 to nominate BET Audit Committee Members Mr. Kelly and Mr. Pellegrino to serve on the First Selectman's ad-hoc group.

Mr. Kelly recommended including two technically savvy students from the Town to participate. Mr. Cray said he will ask Mr. Tesei to contact the secondary schools in Town for volunteers.

Mr. Cray excused himself from the meeting at 10:01 A.M.

6. Fiscal 2010 Audit

Mr. Mynarski stated that the Fiscal Audit is proceeding and that he is unaware of any existing issues. The Finance Department will have a meeting with Blum Shapiro November 19, 2010 to review any management issues. The litigation letter will be completed by the November 5, 2010 deadline. The Audit Committee's presentation is set for December as well as a December BET approval.

7. Old Business Items:

Alarm Receivables Small Claims

Mr. Mynarski gave an update stating that the process was a success and that the Police Department was pleased with the results and will be continuing the process. He noted that the courts have settled a couple claims with pay out arrangements that will result in additional clerical work needed to track payments.

Waste Disposal Ordinance

Mr. Norton announced that the Waste Disposal Ordinance is finally approved. The process began three years ago and was approved by the RTM at its meeting in September 2010.

8. Approval of BET Audit Committee 2011 Meeting Schedule

Upon a motion by Mr. Ramer, seconded by Mr. Pellegrino, the Committee voted 4 – 0 to adopt the 2011 – 2012 BET Audit Committee Meeting Schedule.

3. Discussion: Building Department Value Estimates and Final Assessor's Office Valuations *(topic from original meeting agenda)*

Mr. Norton stated that Mr. Gwartney, Assessor and Mr. Marr, Building Official DPW will attend the November 10th Audit Committee Meeting to discuss the Building Department Value Estimates and Final Assessor's Office Valuations.

3. Tax Collector Review – Operational Plan and other items for discussion

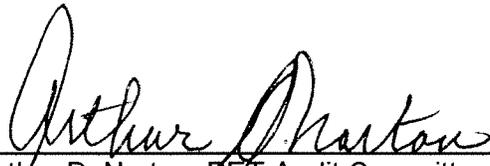
Mr. Norton recommended that Mr. Laudonia, Tax Collector present his 2011 – 2012 Operational Plan and address the issue of non-payers of the North Mianus sewers at the January 2011 BET Audit Committee Meeting.

9. Items for Discussion future BET Audit Committee Meetings

No future items for discussion were discussed.

10. Adjournment

Upon a motion by Mr. Ramer, seconded by Mr. Pellegrino, the Committee voted 4 - 0 to adjourn the meeting at 10:09 A.M.



Arthur D. Norton, BET Audit Committee Chairman



Elaine JV Brown, Recording Secretary