

BOARD OF ESTIMATE AND TAXATION
Audit Committee Minutes
Thursday, November 10, 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; Melinda Frame, Internal Auditor; Scott Bassett, Partner, RSM, LLP; Jennifer Mazzuocolo, Manager, RSM, LLP

Others: Mary Lee Kiernan, BET Member; Elizabeth Krumeich, BET Member; Leslie Tarkington, BET Member

The regular meeting was called to order at 8:10 A.M.

The Executive Session with Town Attorney, J. Wayne Fox, Esq. and RSM had to be cancelled because Attorney Fox was not able to attend.

1. Approval of Audit Committee Minutes:

- **Audit Committee Meeting October 13, 2016**

Upon a motion by Mr. Blankley, seconded by Ms. Oberlander, the Committee voted 4 - 0 to approve the October 13, 2016 Meeting Minutes.

Mr. Norton requested the Internal Auditor agenda item #3 to be addressed next.

2. Internal Audit Report

- **Other Pending Audits**

Byram Archibald Neighborhood Center (BANC) currently uses United Way to handle their banking requirements. Ms. Frame reported that adequate procedures and controls appear in place. BANC is considering a 501-C3 to manage cash flow, approximately \$8,000 (eight thousand dollars) per month, composed of after school program fees and public donations. Ms. Weissler, a United Way Board Member, requested the audit to include a review of the BANC's summer camp scholarship program.

Cash handling processes will be reviewed with the Town Clerk and the Health Department in the future.

- **Tools for Schools Update**

The new biannual schedule of inspections from Mr. Matten, BOE Facilities Manager, has been received. Mr. Norton explained that this is a national program, tailored to the Town's organization.

Mr. Lalli plans to revisit Hamilton Avenue and Parkway Schools with Mr. Matten, because a result of the previous years' water damages from pipe bursts during cold spells. The reports will be submitted in December.

3. Risk Management Report

- **FEMA Update**

No change since last month, no funds received.

- **Safety Inspection Updates – Vocational and Technology Classrooms at Greenwich High School**

A safety review of the Vocational and Technology classrooms at GHS was performed on October 11, 2016 with participation from Frenkel & Co. Senior Vice President, Frank D'Ambrosio, and numerous BOE employees.

Summary of Techno CNC HD 4896 Router and current classroom location safety recommendations:

- Manufacturer's (Techno) representative needs to evaluate if wood storage area is acceptable location for vacuum pump
- Double doors of wood storage need to remain closed at all times
- Written lock-out-tag out procedure needs to be utilized when maintenance and/or repairs are performed by internal or manufacturer
- Following manufacturer's guidelines, a licensed electrician should be used to install power to the router and vacuum pump
- Creation of a formal mandatory sign-off student safety training program

Technology Shop recommendations:

- Drill press needs to be bolted down
- Tank used for siphoning of gas to be stored in flammable liquids cabinet or an approved gas container with a flame arrestor insert
- Table top power equipment needs to be bolted to the counter
- Ventilation hood work station should be used for a single purpose and exhaust ventilation in working order, flammable liquids need to be stored and labelled using current globally harmonized system hazard symbols

Wood Shop recommendations:

- Table top power equipment needs to be bolted to the counter
- Out of service power equipment need to be either tagged out of service or removed
- Band saw barrier guard needs to be positioned correctly
- Air blower nozzle needs adjusting, not to exceed 15psi
- Safety glass sanitizer unit not working, cabinet door left open
- Lathe Plexiglas barrier guard needs to be in proper position
- Mini refrigerator needs to be placed on the floor

All recommendations are expected to be implemented or mitigated through an ancillary measure. Mr. Lalli will report back to the Committee with photo evidence of remediation.

- **Update on Insurance Contract renewals for Fiscal 2017**

Self-Retention Insurance Claims are running a credit of \$30,544 (thirty thousand, five hundred, forty-four dollars), from subrogation insurance recoveries and other policies enacted over the past several fiscal years. The forecast for 2017 is \$645,610 (six hundred, forty-five thousand, six hundred ten dollars) favorable. The actual surplus should be lower in the \$500,000 (five hundred thousand dollars) range after the Fiscal 2017-year end accrual. The amount of the accrual is not yet known. Mr. Lalli will propose to expand a 2017 policy for vehicle accident accountability tested in Parks & Recreation to the Department of Public Works, Police and Fire Departments in Fiscal 2018.

Mr. Norton requested the Fiscal Year 2016 Annual Audit Update agenda item #5 to be addressed.

4. Fiscal Year 2016 Annual Audit Update

Mr. Bassett presented the Comprehensive Annual Financial Report (CAFR) in draft form for the year ending June 30, 2016. Mr. Bassett went through the CAFR and selected several areas for discussions that he felt significant. Noteworthy were discussions on fund balance on a General Accepted Accounting Principles (GAAP) basis, pension liabilities, footnote disclosures and other areas of importance. He noted that RSM has adopted GASB 68 (accounting and financial reporting by state and local governments for pensions) which had a significant impact (\$110 million) on the Town's net position. An overview of the presentation "*Management's Discussion and Analysis – Unaudited*" dated June 30, 2016 was reviewed.

In the draft Management Letter, Mr. Bassett identified 3 deficiencies in internal control, none constitute significant deficiencies or material weaknesses.

Capital Assets:

The Town should consider either a MUNIS module or an outside vendor to establish procedures for the formal review of fixed assets by department on an annual basis. To enhance control of record keeping, these fixed assets records need to be included in the financial reporting system. Mr. Lalli noted that the previous Internal Auditor had begun this audit, but due to the lack of manpower and software she was not able to complete the audit prior to leaving her position. The last time that this audit was completed was 2002.

Sewer Assessments:

This is a repeat from the previous year's audit. The tax system lacks the capacity to separate individual balances into current and deferred. The Town has not implemented controls ensuring that receivable balances are correct. The Town needs to discuss controls regarding the \$20,000,000 (twenty million dollar) balance with their software vendor.

Mr. Mynarski stated that Lauren Elliott, Tax Assessor, is working with a Quality Data programmer to resolve this item. He will monitor progress and report back at the next meeting.

Police Extra Duty Receivables:

Accounting for the receivables and revenue was being processed manually. Procedures need to be established to review the receivables, including integration of the activity in the general ledger to eliminate manual billing and journal recording.

Mr. Mynarski added that this was discovered by Roland Gieger, Budget Director last March when he could not reconcile numbers. Angela Gencarelli, Financial Analyst from the Finance Department was sent to Police to train personnel and resolve this item. Mr. Mynarski will respond to all 3 recommendations in the final Management Letter.

Mr. Bassett stated that Federal and State single audits are clean. Initially the auditors had some issues with vaccine documentation in the Health Department but the issue has been resolved.

5. Internal Audit Report

• Draft Audit Report - Parking Services

Ms. Frame reviewed the background of Parking Services' transaction processing which relies on electronic and manual systems to track, process and record financial activities. The objective of the review was to evaluate the internal controls over collections, processing and accounting of

revenue from parking meters, parking fines and fees, Smartcards and other Parking Services activities.

The draft summarized inadequate internal controls over revenue, operating and financial activities, that require immediate remediation. Existing controls are weak including the lack of records for testing and evaluation that curtailed the Internal Auditors' ability to apply standard auditing procedures. This review did not yield any evidence of theft, fraud or abuse the assessment is that the risk for such occurring without detection is high.

The report made the following recommendations:

Prepaid Meter Smartcards:

- Management take physical custody of existing Smartcard inventory with control over access and distribution
- Management to work with Smartcard vendor (MacKay) to control recharging access while generating daily activity logs for reconciliation to Smartcard receipts

Parking Violation Fines and Parking Fee Receipt Processing:

- Separate incompatible employee duties such as receiving and recording receipts from also making subsequent adjustments to transaction records
- Control and monitor employee access to the transaction record
- Review policies for generation of voids and reductions

Parking Meters and Lots Pay Station Collection and Reporting

- Develop plan to introduce secure collection processes and reliable financial activity reporting
- Remove or modify existing infrastructure prohibiting installation of parking lot pay stations, upgrade older stations
- Identify and deposit daily meter and pay station collections by location, reconcile and document receipt activity from stations to its deposits

The draft included a chart of major revenues collected over a five-year period, between FY 2012 through FY 2015.

The Internal Auditor recommends remediating current control issues, integrating its electronic environment and cashiering system while developing policies and procedures to address each employee's role in the department. A follow-up audit is recommended in 6 (six) to 12 (twelve) months.

Ms. Oberlander asked whether the job descriptions include compliance of accounting responsibilities making non-compliance an HR (Human Resources) issue. Ms. Kiernan questioned HR involvement. Mr. Lalli recommended the creation of a Desk Manual, which the Parking Director fully supports. Mr. Norton questioned whether Ben Branyan, Town Administrator should be involved. Ms. Oberlander suggested that the Committee review and email comments regarding this topic, which will be on the December agenda. She concluded by acknowledging Ms. Frame's hard work with this challenging assignment.

6. Old Business

Not discussed.

7. Items for Future BET Audit Committee Meetings

Not discussed.

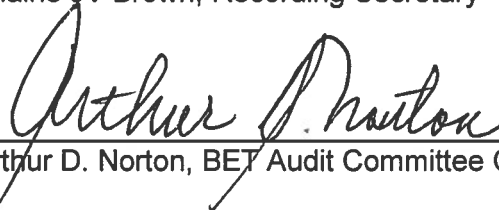
8. Adjournment

Upon a motion by Mr. Blankley, seconded by Ms. Oberlander, the Committee voted 4-0 to adjourn the meeting at 10:58 A.M.

The next meeting of the Committee is scheduled for December 8, 2016 in the Gisborne Room.



Elaine JV Brown, Recording Secretary



Arthur D. Norton, BET Audit Committee Chairman