

**BOARD OF ESTIMATE AND TAXATION**  
**Audit Committee Minutes**  
**Thursday, December 13, 2012 – 8:00 A.M.**  
**Gisborne Conference Room**

Present:

Committee: Arthur Norton, Chairman  
Gregory Bedrosian, Robert Brady, Sean Goldrick

Attendees: Peter Mynarski, Comptroller; Ron Lalli, Director of Risk Management; Pat Maranan, Internal Auditor; Scott Bassett, Partner, McGladrey & Pullen; Jennifer Mazzuocolo, Manager RSM McGladrey, Inc.; John Wayne Fox, Town Attorney; Leslie Tarkington, BET Member, Mary Lee A. Kiernan, BET Member

The meeting was called to order at 8:03 A.M.

**1. Approve Minutes of Audit Committee Meeting**

Upon a motion by Mr. Bedrosian, seconded by Mr. Brady, the Committee voted 4 - 0 to approve the November 8, 2012 Meeting Minutes with the deletion of "Special" from the heading.

Upon a motion by Mr. Bedrosian, seconded by Mr. Brady, the Committee voted 4 - 0 to approve the November 29, 2012 Workshop Minutes, with the addition of Greenwich Library Staff Arlene Grant and Deb Orrico as attendees.

**EXECUTIVE SESSION:**

Upon a motion by Mr. Bedrosian, seconded by Mr. Brady, the Committee voted unanimously to enter into executive session at 8:05 A.M. to discuss pending litigation matters.

In attendance were:

Attendees: Peter Mynarski, Comptroller; Ron Lalli, Director of Risk Management; Pat Maranan, Internal Auditor; Scott Bassett, Partner, McGladrey & Pullen; Jennifer Mazzuocolo, Manager RSM McGladrey, Inc.; John Wayne Fox, Town Attorney

BET Members: Arthur Norton, Gregory Bedrosian, Robert Brady, Sean Goldrick, Mary Lee Kiernan, Leslie Tarkington

Upon a motion by Mr. Bedrosian, seconded by Mr. Brady, the Committee voted unanimously to leave executive session at 8:29 A.M.

**3. Review and Approval of the Comprehensive Annual Financial, Federal and State Single Audits Reports and Acceptance of the Management Letter for the Year Ending June 30, 2012**

Mr. Bassett, Partner, McGladrey & Pullen presented the CAFR (Comprehensive Annual Financial Report) for fiscal year 2011-2012. He complimented the complete cooperation from all Town departments, stated that they are currently in the second review process and will deliver the final report after BET approval.

Mr. Bassett started with a review of the Statement of Net Assets, which had increased and then continued with Operating Statements. The Balance Sheet, General Assets, Liabilities and Fund Balances were examined. He then discussed Revenues, Expenditures and changes in Fund Balances, noting the Sewer Capital Fund Project. Cash flow included the standard entries while a change in fund net assets was noted. He explained the Changes in Fiduciary Net Assets page of the report. Mr. Bassett reviewed Note 2, Deposits and Investments and Custodial Credit Risks.

Mr. Norton reaffirmed the TOG triple AAA rating but noted that only two rating agencies appear in the report.

Mr. Mynarski reviewed the Statutory Debt Limit page and explained General Purpose, Schools, Sewers, Urban Renewal and Pension Deficit totals and how each compared to State Statute limitations. Mr. Bassett focused on Pension Plans, OPEB and GASB (Governmental Accounting Standards Board) Statements. He noted that the tax collection rate is close to last years but saw some funding progress while internal controls of payroll transactions were found to be adequate. Short-term and Long-Term Obligations were reviewed.

Mr. Bassett presented the *Federal and State Financial and Compliance Report for Fiscal Year Ending June 30, 2012*. The schedule of Expenditures of Federal Awards was discussed. Mr. Bassett stated that he had reviewed the prior years' Audit findings and that all action plans have been implemented. He continued that no deficiencies in internal control over financial reporting were discovered as material weaknesses. The Schedule of State Single Audit Compliance Findings and Questioned Costs was discussed and no weaknesses or significant deficiencies found.

Mr. Bassett presented the *Management Letter* findings and answered the Committee's questions relative to the report. The Management Letter Comments for Fiscal Year 2011-2012 were reviewed as follows:

**1. PENSION BENEFIT PAYMENTS: Recommend pensioner files be updated with the most recent payment documentation.**

*Mr. Mynarski* – Concur with recommendation. Information resided outside of the files but will be included.

**2. STUDENT ACTIVITIES: Recommend that all necessary approvals be documented on the "Deposit/Disbursement Voucher Sheet" in order to ensure all transactions are properly approved.**

*Mr. Mynarski* – The BOE agrees with this recommendation and will immediately implement. This comment was reported by the Internal Audit Staff to the BET Audit Committee in the October 2012 Internal Audit Report quoted below:

**"7 - The Student Activity Disbursement Voucher, required by BOE's Standard Operating Procedure (SOP) to initiate all expenditures, did not always contain an authorizing signature.**

Our test results of Greenwich High School's disbursements disclosed that 14 out of 108 disbursement vouchers did not contain a signature as required by BOE's Standard Operating Procedure. This signature serves as an approval to initiate the transactions and functions similar to a purchase order. This internal control weakness is offset by the fact that two employees must sign the check, however, this control is an after the fact control that approves a transaction that has already occurred. To comply with the SOP and strong internal control practices, we recommend compliance with this requirement."

- 3. CAPITAL ASSETS: Recommend that the Town should consider establishing procedures for the formal review of fixed assets by department at least on an annual basis and explore the option to incorporate its fixed assets records into the financial reporting system to enhance controls over recordkeeping.**

*Mr. Mynarski* – The Finance Department concurs. Funds to perform an updated inventory of fixed assets have been budgeted in recent years in the Finance Department's budget. Due to budgetary constraints, funds were not budgeted for fiscal year 2013-2014. The Finance Department will implement the recommendation if funding is approved.

- 4. SEWER ASSESSMENTS: During the audit it was noted that the system used to track sewer assessment receivables cannot separate each payment into interest and principal. Recommend that the Town discuss this issue with their software vendor to explore alternatives.**

*Mr. Mynarski* – The Town recognizes the current software limitations and is in the process of evaluating new Tax Assessment and Tax Collection software. The Tax Assessor is currently preparing an RFP for a MUNIS module.

Mr. Bassett stressed the importance of Recommendation #4. Mr. Brady stated that this issue is also a matter being discussed currently in the IT Upgrade Review. Ms. Tarkington asked for a software recommendation from Mr. Bassett. He replied that many municipalities in CT use either a MUNIS module or QDS (Quality Data Systems).

Upon a motion by Mr. Brady, seconded by Mr. Bedrosian, the Committee voted 4 - 0 to accept and recommend to the full BET the Comprehensive Financial Annual Report, the Federal and State Financial and Compliance Report and the Management Letter.

Mr. Norton thanked Mr. Bassett and Ms. Mazzuocolo for their presentation.

## **2. Internal Audit Report**

- Final Audit report on the Documentation of the Police Department Vendor Permit Process**

Mr. Lalli presented to the Committee the *Internal Audit Report: Greenwich Police Department's Issued Permits* with the Police Department's responses for discussion and approval. He acknowledged the assistance of Ms. Maranan to complete this audit.

Mr. Lalli reviewed the recommendations and the Police Department responses noting that all were approved for immediate implementation, excluding Recommendation IV, which requires further approval.

- 1. The Greenwich Police Department should not issue permits to food vendors who operate on Town property without a completed and authorized Itinerant Food Vendor Form, which is received from the Health Department.**

The Police Department agrees and will not issue a permit until a properly authorized Itinerant Food vendor form is received and matched to the application

- 2. The Greenwich Police Department should not issue permits to food server vendors, specific types of solicitor vendors, temporary liquor licenses without evidence of proper insurance.**

From this point forward insurance documentation will be required.

**Risk Management should reevaluate the levels of insurance required for each permit type.**

Will institute new requirement

- 3. The current Hold Harmless agreement that is signed by permit applicants should be reviewed by the Law Department to ascertain if current circumstances require updated provisions.**

Will implement this requirement.

- 4. The Greenwich Police Department should collect a fee for solicitor permits. Nonprofits can be excluded from this requirement.**

Will implement this requirement as soon as proper approvals are obtained.

Mr. Brady questioned the authority of the Committee in relation to Recommendation IV and the insurance language of Recommendation II, subcategory D under *Response from Risk Management*, in relation to the Town Charter (Town of Greenwich Municipal Code).

Mr. Lalli noted that the Internal Auditor is responsible to review processes and insurance issues and offered to research clarification on the insurance minimum. Mr. Norton noted that the current \$500,000 (five hundred thousand dollar) standard insurance is required by Ordinance not by the Town Charter. The Committee asked for Mr. Lalli to reflect that change in the report. Mr. Lalli agreed to do so.

Mr. Lalli added that the current requirement does not inhibit legitimate vendors and requested acceptance of the Audit from the Committee.

Upon a motion by Mr. Goldrick, seconded by Mr. Bedrosian, the Committee voted 3 - 1 to accept and recommend the *Internal Audit Report: Greenwich Police Department's Issued Permits* to the full BET with a correction in Recommendation II, subcategory D under *Response from Risk Management* from "Charter to Ordinance" and with the inclusion of a clause explaining the audit's scope of vendors.

- **Fire Marshal Audit Update**

Mr. Lalli stated that the audit has been started but that he is unable to present a report at this time.

#### **4. Risk Management Report**

- **Hurricane Sandy Update**

Mr. Lalli stated that all departments fully cooperated in this endeavor to gather storm damage data. The most difficult being tree claims, which are subject to negotiation. He and Ms. Maranan have been working with Parks and Recreation Tree Division to compile this data. He continued that Ms. Maranan is finishing lost wages and then will begin the straight and overtime clean-up wages. Next will be Police Blue Payroll and Fire Department property damage. All this data is needed to maximize FEMA reimbursements while upholding ethical standards.

As a result of extensive storm damage the Fire Marshal Audit update has been postponed till possibly the March 14, 2013 BET Audit Committee Meeting.

Mr. Lalli added that insurance has already approved an up-front payment of \$225,000 (two hundred twenty five thousand dollars). He also noted he expects to receive a \$25,000 reimbursement in the near future for damage to Fire Rescue Unit #5. He noted that he has established a submission process that will be forwarded to the Selectman's Office for usage.

Mr. Norton requested the Committee members for approval to change the Thursday, February 14, 2013 BET Audit Committee Meeting to Friday, February 8, 2013. Mr. Bedrosian, Mr. Brady and Mr. Goldrick approved the change.

#### **6. Items for Future BET Audit Committee Meetings**

Mr. Brady requested a discussion regarding the role of the Audit Committee in determining the scope of audits conducted. Mr. Lalli recommended that in the future he will submit the scope of audits to the Committee prior to starting. He noted that the audit scope can change as the audit documentation is received and new facts are discovered would lead the auditor to investigate issues that may not have been part of the original scope.

Mr. Goldrick supported possible audits of fixed assets, which McGladrey, Inc. recommended. Mr. Lalli replied that he would consider starting with smaller departments, with a March 2013 or April 2013 timeframe.

Mr. Brady left the meeting at 11:01 A.M.

#### **7. Adjournment**

Upon a motion by Mr. Bedrosian, seconded by Mr. Goldrick, the Committee voted 4 - 0 to adjourn the meeting at 11:05 A.M.

  
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Arthur D. Norton, BET Audit Committee Chairman

  
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Elaine JV Brown, Recording Secretary