

**BOARD OF ESTIMATE AND TAXATION**  
**Audit Committee Minutes**  
**Monday, September 14, 2009**  
**Hayton Meeting Room**

**Attending:**

Committee: Arthur Norton, Chairman  
James Campbell and William Finger

Attendees: Robert Stone, Vice Chairman BET; Peter Mynarski, Comptroller; Ron Lalli, Special Projects Manager; Chris DeMeo, Risk Management Director/Internal Auditor; James Lavin, Retirement Plans Administrator; John Chadwick, Chairman Greenwich Retirement Board

Meeting was called to order at 9:36 A.M.

The following items were discussed:

**1. Approval of Minutes for July 9, 2009 Audit Committee Meetings:**

Upon a motion by Mr. Finger, seconded by Mr. Campbell, the Committee voted 3 to 0 to approve the July 9, 2009 Minutes.

**2. Discussion of Limited Scope Review of Pension Distributions**

Mr. Norton began the meeting by expressing the Audit Committee's interest regarding the internal controls and verification of the 1100 (eleven hundred) monthly distribution checks. This resulted from a discussion that he had with Mr. Simon. He then turned to the group for suggestions.

Mr. Mynarski stated that the Town of Fairfield uses People's Bank for their payroll. The bank provides, as part of their contract, death audits which they receive from a national database. People's notifies the Pension Board of any deaths and are liable for any errors resulting in back payments and reimburse the Town.

Mr. Lavin continued the discussion by explaining the process used by the Town. Currently Wachovia Bank is used as a third party provider submitting semi-annual death audits. They employ a firm name The Irwin Group for death check verification analysis semi-annually. He stated that the one flaw of this process is that Wachovia Bank is ultimately not responsible for any errors in their reports. He stated that the Town currently releases 1100 (eleven hundred) payments of which approximately 300 (three hundred) are checks, the rest direct deposits. Wachovia sends a report indicating checks that have not been cash. Mr. Lavin responds to this list contacting the retirees, checking nursing homes, etc. He is also in contact with beneficiaries and checks obituaries regularly. If an error is found Wachovia reverses the transfers. Mr. Lavin stated that since 2005 any problems that have been discovered have been recovered, without the use of investigative services.

Mr. Chadwick recommended an annual letter requesting retiree updates to verify addresses and contact information. Mr. Lavin stated the poor response in the past, approximately 35% (thirty five percent), when mailing beneficiary confirmation to the 1200 (twelve hundred) current employees.

Mr. Campbell raised the question as to whether legally the Town can withhold checks pending verification. Mr. Lavin stated that currently this method is used if they receive a report of checks not being cashed.

Mr. Norton questioned how many trustee accounts there are and Mr. Lavin replied only 1%. Mr. Norton stated that his concern is the direct deposits with no verification. Mr. Chadwick recommended using Google, but Mr. Finger mentioned how time consuming that process would be.

Mr. Mynarski recommended a letter of verification be included with the 1099R distribution from Wachovia Bank, also reducing the postage costs. Mr. Lavin said he would pose the question to Wachovia and respond to the BET Audit Committee and Retirement Board. Mr. Chadwick stated that the Retirement Board would take up this issue at its September 24, 2009 meeting and report to the BET Audit Committee's October meeting.

Mr. Norton thanked Mr. Chadwick and Mr. Lavin as they both left the meeting at 10:00 A.M.

### **3. Internal Auditor Report**

Mr. DeMeo started the topic stating that the management comment, in the Auditor's Report, had been resolved by having each department sign off on each employee's salary verification. There were also concerns with time and leave, accruals and MUNIS access to employee files in the report.

At this point Mr. Lalli took over the presentation explaining the transformation that has occurred within the Payroll Department. It currently compiles payroll for 22 (twenty two) Town departments, excluding Nathaniel Witherell, the two libraries and the Police Department, per the request of the First Selectman for centralized processing. This has resulted in the elimination of 3 positions.

Mr. Lalli continued that the internal control weakness of deleting records has been addressed. The Payroll Department now updates files instead of deleting, which prevents file tampering. Initially 88 (eighty eight) employees had access to employee files in MUNIS that number has now been reduced to 15 (fifteen). This strengthens internal controls by reducing the potential to alter files. Mr. Lalli stated that recently the Payroll Department has added the Fire Department and will be looking at the libraries in the next twelve months. He commended Ms. Kast's performance during this transition. In general he stated that the Town has drastically increased internal controls in the Payroll Department since the last BET Audit Committee Meeting in July 2009. Mr. Lalli stated that ultimately only 2 or 3 employees in Human Resources who prepare payroll will have MUNIS employee file access.

Mr. Campbell questioned the possibility of removing the "Delete Record" option in MUNIS but Mr. Lalli responded that MUNIS did not recommend that move.

Mr. Norton asked for Mr. Lalli to notify the Committee when the libraries payroll is consolidated.

### **Marinas**

Mr. Lalli said that there are two internal audit reports outstanding yet, Cos Cob and Byram. He stated that he had found some issues at the Cos Cobb Marina and was awaiting the report from the Parks and Recreation Department before bringing to the Committee.

#### **GHS Student Activities Fund**

Mr. Lalli updated the Committee that he is currently waiting for the response of the GHS Student Activities Audit Report which has been submitted. He also stated that the BOE requested to review the report for possible inaccuracies, prior to the Audit Committee's viewing.

Mr. Norton stated that both these internal audits will remain on the agenda for the October Audit Committee Meeting.

#### **4. Risk Manager Report**

The Risk Manager, Mr. DeMeo, reported he has not received any correspondence from the Law Department regarding *Lessons Learned*. The Committee discussed the *Lessons Learned* process and judgments over \$100,000 (one hundred thousand dollars) from the Risk Fund, particularly the wrongful death suit on Prospect Street several years ago.

Mr. Stone recommended a mechanical step that whenever there is a change in the Risk Fund greater than \$100,000; something would prompt the Audit Committee to follow up with the Law Department to create a paper trail.

Mr. DeMeo offered to update the Committee of any disbursements of \$100,000 (one hundred thousand dollars) or greater from the Risk Fund in the future. Mr. Norton agreed and will keep it on the agenda until the Committee is satisfied with the process.

Mr. Mynarski continued the topic with assessment settlements, particularly the American Can case. Mr. Campbell explained some of the case details to the Committee. Mr. Mynarski commented that these cases have the potential for huge budget impact.

Mr. Finger brought up the Golf Course case, which cost the Town 1.2 million dollars, and how the budget did not prepare for it. He stated that this was an example of "Lessons Learned" and that the budget wasn't prepared for the case's ramifications. The "light" must be put on these issues to the BET early on.

Mr. Mynarski said that these large cases are in the annual Auditor's Letter, due in a couple weeks and expressed a possible communication gap with the Assessor. He is the liaison between the third parties making these judgments. Mr. Finger added that it is also a timing issue.

Mr. Lalli said the Committee should look at reasons why the Town has all these law suits. "Inland Wetlands", are we being too aggressive in the field? Less confrontation and more conversation?" Maybe with "*Lessons Learned*" we are being too aggressive in the Assessor's Office. These appeals are creating large litigation costs. On the Audit side, maybe in the Assessor's office there are too many appraisers doing desk audits, this could be caught by an Internal Audit.

Mr., Mynarski stated that Blum & Shapiro has to disclose contingent liabilities in the Management Letter, to note an estimate of potential liability. This information is prepared by the Law Department.

#### **5. Update Fiscal 2009 Blum Shapiro Annual Audit**

Mr. Mynarski updated the Committee that the auditors began their field work last Tuesday and will continue next week, returning in October. In November Mr. Mynarski

should have the draft form and be able to present it to the Audit Committee as soon as possible. He is hoping to get early approval by the BET in December. Mr. Mynarski also informed all that the Law Department has started to work on their contingent liabilities that are "out there" for lawyers' litigation and Mr. Fox will consolidate it.

Mr. Norton said that we will keep this topic on future agendas.

Mr. Lalli informed the Committee of a separate item. He has been requested to review Risk Management policies and procedure using ICMA, a performance management association of counties. He has previously used them to review the Fleet Department and Parks & Recreation. Mr. Lalli said that it might be beneficial to how Risk Management deals with workers' compensation. It does have some shortcomings relative to Connecticut.

Mr. Lalli also informed the Committee that although he had time in the summer for audits, during the months of October through December he will be involved with the First Selectman's Office and his time will be limited. He reassured all that he will complete the audits started already.

#### **6. Discussion of topics for future Audit Committee meetings.**

Mr. Norton suggested having the Law Department and Police Department invited to the October BET Audit Committee Meeting to discuss the topic of false alarms and enforceability. Mr. Mynarski stated that he would mail updated information regarding alarms to the Committee.

Mr. Lalli added that if the Committee needs the outsourcing costs for the Fleet Department it should be done before September 30, 2009, when Ms. Linck retires. Mr. Lalli recommended that it be done before the new Fleet Director starts. Mr. Norton asked for it to be set in motion. Mr. Lalli concluded that this item will take priority over the last marina's audit. He will need assistance from the Finance Department.

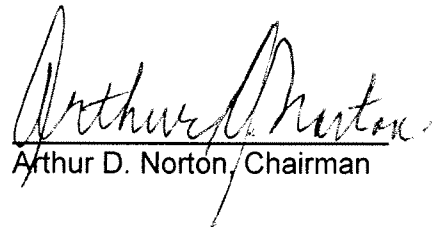
#### **7. Adjournment**

Upon a motion by Mr. Campbell, seconded by Mr. Finger, the Committee voted 3 to 0 to adjourn the meeting at 11:05 A.M.

The next Audit Committee meeting is scheduled for October 8, 2009.



Elaine JV Brown, Secretary



Arthur D. Norton, Chairman