

**BOARD OF ESTIMATE AND TAXATION**  
**Audit Committee Minutes**  
**Thursday, May 14, 2009**  
**Gisborne Meeting Room**

**Attending:**

Committee: Arthur Norton, Chairman  
James Campbell, Jeffrey Ramer and William Finger

Staff: Peter Mynarski, Comptroller; Chris DeMeo, Risk Management Director/Internal Auditor; Roland Gieger, Budget Director; Leslie Tarkington, BET; Vanessa Rossitto, Blum/Shapiro; Ray Augustine, Director of Financial Operations Nathaniel Witherell, Dave Ormsby, Bruce Dixon & Lloyd Bankson, Nathaniel Witherell Board of Directors; Chris vonKeyserling, District 8

Meeting was called to order at 8:05 A.M.

The following items were discussed:

**1. Approval of Minutes for April 16, 2009 Audit Committee Meetings:**

Upon a motion by Mr. Campbell, seconded by Mr. Ramer, the Committee voted 4 to 0 to approve the April 16, 2009 Minutes.

Motion to address agenda item # 4 (Approval of Nathaniel Witherell Revolving Fund Resolution) out of sequence, moved by Mr. Campbell, seconded by Mr. Ramer 4 to 0.

**2. Approval of Nathaniel Witherell Revolving Fund Resolution**

Mr. Norton stated that at this month's BET Budget Committee Meeting (May 12, 2009) the Committee had requested the BET Audit Committee to consider and review the request of Nathaniel Witherell for a Revolving Fund Resolution. Mr. Norton handed out Nathaniel Witherell's long range financial objectives materials to the Committee.

Mr. Bankson clarified that Nathaniel Witherell is in the process of hiring an outside consultant to review the numbers of their long range plan. This was last done in February and should be done every three years. Once they are authenticated the plan will go to the RTM for approval again, which had been recommended by M. Mason, Chairman, BET Budget Committee.

Mr. Bankson cited that Nathaniel Witherell is a Town department for which they are proud of. Nathaniel Witherell is not attempting to be an independent entity but seeks to be able to present their numbers so people can see revenue and expenses. Mr. Bankson stated that they have met with many BET members; Simon, Mason and Stone and have expressed that Witherell is now a business and would like the opportunity to disclose publicly their revenue and expenses, which are different than other Town departments. This revolving fund proposal is an accounting change that will also aid Mr. Augustine with required state and federal financial reporting, regarding Medicare and Medicaid, by providing a trial balance.

Mr. Bankson continued by stating that operations have not changed at Nathaniel Witherell. Every year Witherell starts with a deficit of \$1.8 million (one point eight million dollars). Half the patients are on Medicaid, which costs Witherell \$50 (fifty dollars) per

day for each patient, after Medicaid reimbursements. To balance this, Witherell has changed the revenue mix by admitting more short term patients, which pay approximately twice the amount of Medicaid. Last year and this year it appears that Nathaniel Witherell will be operating in the "black".

Mr. Norton questioned a few concerns: how to handle interest, shared services and pensions, which create accounting issues. Benefits are charged on a quarterly basis on the Town budget currently, Mr. Gieger stated. Witherell's share of pension costs would be taken out as we do now for the Griffith E. Harris Golf Course. Mr. Mynarski noted that interest expense on bonds is capitalized and the debt service is paid by Witherell as a line item.

Mr. Ramer questioned whether there was a waiting list for Medicaid patients, for which Mr. Ormsby replied no that patients are taken in by arrival order, and that Witherell does not hold off any Medicare patients.

A discussion followed whether or not Nathaniel Witherell would be considered a major fund (a fund with one component: assets, liabilities, revenues or expenditures, larger than 10% of the total governmental fund) in the TOG budget. Ms. Rossitto and Mr. Gieger stated that this should not be a concern.

Mr. Mynarski expressed that he would prefer the option of considering Witherell as an enterprise fund, which would show the building assets better, resulting in a truer budget picture. Ms. Rossitto said that the problem then is stating depreciation expenses. A discussion of fund balances and the merits of a revolving fund continued. Mr. Augustine stating his preference for the revolving fund due to its ease with state/federal reporting. Mr. Bankson added that it would not involve a change in the Charter, under Charter 10.

Mr. Finger verbalized his support for the revolving fund and initiated a group discussion regarding cash flow and the Witherell deficits starting in 2013. Mr. Bankson admitted the margin will be tight but that Nathaniel Witherell will be repaying the debt with reimbursements each year.

Mr. Ramer reminded the Committee of the proposition brought to the Committee by Mr. Bankson:

Upon a motion by Mr. Ramer, seconded by Mr. Finger, the BET Audit Committee voted 4 to 0 for the recommendation of the adoption of the Nathaniel Witherell Revolving Fund Resolution, and to be presented to the full BET at the May 18, 2009 meeting.

Ms. Tarkington spoke about the possible time restraints of using an enterprise fund with Ms. Rossitto vs. a revolving fund, which she considers a real estate operation.

It was agreed that the revolving fund change should be effective July 1, 2009. Mr. Mynarski discussed bonding issues, while Mr. Augustine expressed the urgency relating to the rate of inflation and lower interest rates.

Mr. Campbell added that this proposal is actually about accurate public disclosure of revenue and expenses for Nathaniel Witherell. While Mr. Ramer expressed his view that Nathaniel Witherell is actually a service of the Town, which serves Medicare patients, the neediest of residents, not driven by profit.

Mr. Ormsby stated that he found it refreshing to see the support of the BET Audit Committee.

The Nathaniel Witherell presenters departed the meeting at 8:57 A.M.

### **3. Internal Audit Plan 2010-2012**

Mr. DeMeo noted that the 2010-2012 Internal Audit Plan finalizes the changes addressed at the April 2009 BET Audit Committee Meeting.

**Marine and Docks Audit Update:** Mr. DeMeo stated that the Internal Audit Review of the Grass Island Marina has been presented to Parks & Recreation Department. They will be reporting to the Audit Committee at the June 11, 2009 meeting to address the issues.

Mr. Norton recommended that an audit of the BOE Activity Fund be the next item that the Internal Auditor should focus on. Mr. DeMeo added that a review of DPW's Building Inspections and the Fleet Department's Use of Outsourced Labor are also two other important issues. Mr. Gieger added that no retirees should currently be used as consultants but rather as temporary employees. The Committee agreed that this will be addressed in the review.

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

The Risk Manager, Mr. DeMeo reported that the review process for TOG insurance program is on-going. He is currently awaiting numbers but is optimistic about a reduction in premiums. Next month a few numbers will hopefully be available to the Committee. Mr. DeMeo added that insurance rates are very likely to increase July 1, 2010 for the next budget year, due to the current economic downturn.

### **5. Follow-Up Fiscal Year Ended June 30, 2008, Independent Auditor Management Letter**

Mr. Gieger stated that he has been in communication with Munis and it appears that Munis has never completed an automated conversion. After speaking with the Project Manager, Mr. Gieger was informed that a manual entry process was needed, disabling the system for weeks possibly.

Ms. Rossitto expressed her disappointment with the Munis response, but will work with Mr. Gieger during this year to attempt to automate portions of the audit. Mr. Gieger added that currently Munis does not have the resources to write the code need but may possibly in the fall of this year. Mr. Norton added that an upgrade to Munis is scheduled for this coming weekend.

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

No topics were discussed

### **7. Adjournment**

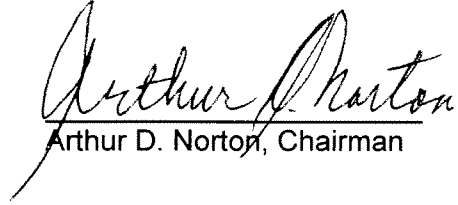
Upon a motion by Mr. Campbell, seconded by Mr. Finger, the Committee voted 4 to 0 to adjourn the meeting at 9:15 A.M.

The BET Audit Committee convened to Executive Session with Ms. Vanessa Rossitto, Blum/Shapiro, Independent Auditor, at 9:15 A.M. and ended Executive Session at 9:50 A.M.

The next Audit Committee meeting is scheduled for June 11, 2009.



Elaine JV Brown, Secretary



Arthur D. Norton, Chairman