

Town of Southington
Board of Finance
Wednesday, October 8, 2014

STENOGRAPHER'S NOTE: The Minutes are now being prepared in summary style. Please refer to the audio or videotape for more details.

Appropriations from Contingency Account:

Approved to date\$ 0
Approved this meeting..... 0
Total Appropriations.....\$ 0

Appropriations with Revenue Offsets:

Approved to date\$ 0
Approved this meeting..... 0
Total Appropriations.....\$ 0

Chairman John Leary called the Regular Meeting of the Town of Southington Board of Finance to order at 6:32 p.m. in the Council Chambers of the Town Hall with the following members in attendance:

Joseph Labieniec, Edward Pocock, Jr., Kevin Beaudoin, James Coleman, Sr., & Sandra Feld

Also in attendance: Emilia Portelinha, Finance Director
Garry Brumback, Town Manager

The Pledge of Allegiance to the American Flag was recited by everyone in attendance.

JOHN LEARY, CHAIR, Presiding:

III. Public Hearing Items

None

IV. Old Business

1. Approval of Minutes from the meeting of September 10, 2014.

Mr. Pocock made a motion to approve as presented. Mr. Coleman seconded. Motion passed unanimously on a voice vote.

2. Presentation of Risk Assessment Report by Blum Shapiro

Ms. Portelinha introduced Richard Finkel from Blum Shapiro and his associate Aram (can't pronounce last name). They'll report their findings.

Richard Finkel stated he headed up to the forensic accounting group at Blum Shapiro. We were asked to come in and take a look at fraud risk within the town. We're proactively looking to try to identify areas where fraud may take place and to try to take suggestions to build some processes and controls around those if we come up with anything.

In order to gather that information, we interviewed people from various departments within the town. We looked at departments where we thought the possibility of fraud was the greatest: finance department, community services, sewer department, town engineer, town clerk, tax collector and the payroll area, as well.

I'm pleased to report that the controls here in the Town of Southington from what we see are very good and are adequate in the area of fraud protection, if you will.

We did come up with a couple of suggestions and they are included in our report which has been provided to you. Most if it has to do with the handling of cash. I won't go through each recommendation.

The key to the cash controls is the town's RFP for new banking services. There are a number of bank accounts the town has (a total of 22) and through the new RFP the number will be drastically reduced. And, additional controls will be put in place through the banking services.

We're very pleased there are significant controls in place to control possible fraud within the various departments we talked about.

The commissioners asked various clarification questions and discussion resulted.

Design and effectiveness of the controls was discussed. Although specific testing was not done, which would be the next step if we found there were a lot of weaknesses in the controls. Based on discussions with the various departments, we felt the controls were adequate as designed and again based on the discussions, they seemed to be working as designed, concluded Mr. Finkel.

Aram noted fraud awareness training was suggested to stress the importance of following the controls and procedures in place.

Ms. Feld stated that the cash situation concerns her. Mr. Finkel said the drive in was discussed. Aram stated they did discuss with employees the procedure for cash handling and the kind of controls in place. We didn't think it was a red flag to us. They had good controls in place for the drive in and good cash handling procedures as well.

Discussion.

Aram advised they looked into, as far as cash handling, the sewer department, the town clerk, the tax collector's office, community services.

Discussion.

Mr. Finkel said a suggestion was the possibility of using an armored car service to take the cash to the bank instead of having employees carry it to the bank. Other than that, we felt the cash controls were adequate.

Parks & Rec was not looked at.

Mr. Pocock brought up checks and they are just as bad as cash.
Discussion.

Mr. Finkel said they looked at that as well and there are significant controls.

Desk top deposit fraud risk was discussed.

Mr. Labieniec said we have the report, what are the next steps. There are a number of recommendations in the report. Mr. Brumback said we are going through and RFP and where we can consolidate and reduce the number of accounts we've got, we are going to do that. We are certainly going to actively pursue the training. Reinforcing, even though it's an adequate system at this point, reinforcing it makes a lot of difference. And, one of the things that Emilia and her folks are doing is actually doing some of the tests you were asking about as to whether or not Blum Shapiro was doing. Her team is going to reinforce the internal controls. As to a fraud hotline, we've got a hotline in place. It could expand to be used for fraud.

Aside from maintaining diligence and vigilance as far as these are concerned, we are pretty comfortable that we're doing the right stuff and reasonable and appropriate processes are in place with internal controls to avoid fraud.

The cash receipts form was discussed by Ms. Feld. Ms. Portelinha said right now they are specific to the department so they tie into the revenue they're collecting.

Discussion.

Mr. Labieniec said there are a number of suggestions in the report. Are we going to get some type of a formal response in executive session or with a document to each point? I understand the

sensitivity. Mr. Brumback advised that would be best done in executive session.

The Chair scheduled that for the December meeting.

The Chair thanked Blum Shapiro for the work they did and it's good to hear our control design is effective. Thank you again for your work.

V. Assess current financial state of the town

1. Review revenue vs budget

Ms. Portelinha advised prior year's tax collections are \$58,000 above budget. Our interest on the taxes are \$40,000 above budget. Our building fees are about \$24,000 under budget. Interest on investments is \$15,000 above budget. Our town clerk fees are about \$85,000 above budget. That's changes in the revenue at this point.

2. Review expenses vs budget

Ms. Portelinha said in reviewing the expenditures no department heads have indicated to me there were issues with their departments. There were not any unanticipated major expenses that are going to change this too much.

The fire department does have an account for the fire extra duty they billed out for the bridge project. Their account currently shows over expended but we have a revenue line item that will request an appropriation with revenue to match and that will offset it.

Very good news in that the STEPS Program received a five year drug free grant for \$625,000. In the Youth Services budget you will see we only budgeted the grant through the end of September because that's when the old one ended. As of October 1st, the new grant takes place so we'll be coming before the board requesting additional money into the expense accounts and into the revenue account because it will be offsetting.

Other than that there is nothing that isn't due to a maintenance contract or something that needed to be paid up front or something like that.

3. Sub Committee Reports (Emphasis on financial aspects)

A. Sewer Committee

Mr. Brumback reported on the meeting held this afternoon. They are putting the finishing touches on the facilities upgrade report. We hopefully should be able to report to you at the next BOF meeting the estimated cost of the facility upgrade. They've gone out to bid for the sludge thickening project, however, they estimated very conservatively so that the question could be prepared but that is one

of the questions that is going to be on the referendum on the 4th. We are still very comfortable that is an adequate representation of the approximate cost. We have received and are going to recommend to the council the acceptance of a new sludge hauler which we expect will save us between \$100,000 and \$150,000/year in hauling cost. That's the first time we've bid that because it's been in almost an emergency status since the digesters failed. Lastly, we continue to get good decent rates on the methanol purchases. It has gone from 1.417 to 1.411 over the past month. That's part of the Cheshire-Southington Consortium of purchasing methanol.

Discussion of other towns that are upgrading their sewer facilities. (Cheshire, Meriden, Waterbury, Danbury, Wallingford)

The Chair wanted the folks watching or reading the Minutes to know that we're not alone in doing major overhauls to our wastewater treatment facility. It is not a Southington problem. It's a wide spread time of recognizing these facilities need to be upgraded. Cheshire is expending about \$30 million which is very similar to what we'll expect in our own town. It's not unusual.

B. Public Works Committee

Mr. Coleman advised they had a light meeting. They talked with the SPD about how things are going for the parade and the Apple Harvest Festival. We talked about the highway department and how good they did repairing the roads. Bids are out for leaf removal, snow removal, salt procurement. The pools are closed for the season. Bulky waste use has been light with no issues there. There are a couple of lights here and there are an issue. Renovations, first phase of streetlight, benches, the work was \$14,300 and we had allocated \$25,000 so we're in good shape there.

C. Middle School Building Committee

Mr. Pocock stated that both schools were opened on time. We're still on budget which is good and we hope it stays there. It's a team effort and we're working hard between Newfield, Fletcher-Thompson, the committee and our Town Attorney who works with Emilia's crew to keep us in good shape.

The Chair asked if a walk thru could be arranged for the BOF for a Saturday morning. Mr. Pocock said he would take care of that.

D. Open Space Committee

Mr. Pocock had nothing to report at this time.

E. Self Insurance Committee

Mr. Labieniec reported on two months into the fiscal year. July was a more difficult month. We were \$215,000 over budget. For August, we came in \$270,000 under budget. We're about \$55,000 below budget for the year.

There isn't a lot of trending to look at as we're only two months into the year. We're just over 4% over prior on an actual basis and our budget is a little over 5% over prior.

Discussion on insurance plans.

F. Gura Building Committee

Mr. Brumback reported they are continuing to move forward.

G. Investment Committee

Hold off until we get the complete report.

H. Parks Board Liaison Report

Mr. Brumback said we are making progress on the lights and we think we'll get the soccer fields done soon. One of the things we've run into is the shortage of power to support the lights. We've had to go back and start to increase the power. It costs us a year. We are cautiously optimistic we can get soccer up and running this year.

We are gathering costs. It is out to bid and the bids have not come in yet. The Town Attorney will enter into a contractual agreement with the leagues on an as-field basis.

Discussion.

The cost for the soccer upgrade is not going to be costly to the town, noted Mr. Beaudoin.

I. Other Committees

Ms. Feld brought up the Bradley Hospital Committee. Mr. Brumback said the conversation between Hartford Health Care and the town has made a lot of progress in favor of the town. They are committed to keeping the emergency department in Bradley and they are now looking at other ancillary services that would support that to re-energize Bradley. Those conversations are about to take place and they are not public.

The Chair encouraged people to use the facility that is here in town. Use it. And, it's the best thing we can do as a town.

4. Board Communications

Mr. Labieniec reconfirmed that next month we're going to have the Turf Field Advisory Committee on the Agenda.

And, did we get the cyber policy quote that was mentioned at the last meeting? Ms. Portelinha said they are working on it and hopefully we'll have it for the next meeting.

Executive session in November is to talk about union negotiations and strategy.

Executive session in December is to talk about the fraud risk response.

Mr. Pocock stated the highway department has done a fantastic job on the roads. I hear it every day. It's nice. They're looking forward to going on with the program next year. It's all good. Ms. Feld seconded that.

Mr. Brumback said the highway department morale has never been higher. They're very proud of what they've done. I am grateful for the comments here, but they have heard that, a lot. It's reinforcing.

The Chair asked if they had the equipment they need to face the winter. Mr. Brumback said we are better equipped than we have been before and we're getting better.

Discussion.

Mr. Brumback spoke on behalf of the highway department saying this board has been very supportive and we're seeing the results and we're very grateful.

VI. Public Communications (Excluding Public Hearing Items)

Arthur Cyr, 103 Berlin Avenue. He spoke about the STEPS Grant. I assume we haven't gotten the whole \$625,000 this year. Does that mean we've already gotten this year's money? Or do they send it at the end of the year after we've expended the money. If its \$155,000 for the grant, is that two, three or four people in that department? It sounds like a lot of money. And, will we add people down there?

Mr. Brumback said no new people will be added. It is going to sustain the program as it currently exists.

He addressed the fraud report from Blum Shapiro. Can that be added to the Minutes or is it confidential? The Chair said that is confidential stuff as it goes with security and security is confidential. When you release where you have controls, you are also releasing where you don't or may not. We can't do that.

Discussion.

Mr. Brumback said the report could be summarized with put it on the Minutes. The process and the conclusions are not confidential. The specifics are. We'll work on something adequate for the Minutes.

Discussion.

Mr. Cyr noted the water commission did 31 policy changes to tighten up their controls a couple of years ago. I was curious because I was a lot surprised that in everything the people from Blum Shapiro looked at, they did not look at the parks department because with the participants we have in different leagues, and it's probably where we take in the most uncontrolled cash. Unless a report is submitted to the finance board that says we've got 200 kids at X amount of dollars and this is how much we've deposited, cash is cash and it floats. I was surprised they didn't look at the biggest area where we take uncontrolled cash.

In the tax collector's office, there is a bill that goes with the cash.

The drive in committee is not a town department and it's not part of the town and they looked at that which surprised me.

I'm not happy with the fact that the BOE does a net/net with revenues.

Discussion.

Are there any departments that net/net in the town? Ms. Portelinha responded "no".

Discussion.

Discussion of BOE accounting.

The Chair defended the process of net/net as being a valid process. It is permissible with transparency into it.

Discussion.

Mr. Beaudoin pointed out the youth leagues are all non-profit. They handle the money and the town doesn't get involved, at all. However, taxpayer money is contributed to the leagues.

Discussion.

We see registration fees for the recreation programs. Not the leagues.

VII. Review Long Range Plan and Priorities

1. Review status of LRP items in current fiscal year budget

A. Status /Reprioritizations

B. Strategy Discussion

Mr. Brumback confirmed that the discussion of the risk assessment and the debt service would more than adequately cover the strategic discussion and we scheduled nothing else.

VIII. Conduct Administrative Business

1. Consent Agenda

- | | | | |
|----|---------------|------------|--|
| A. | Appropriation | \$280 * | Youth Services - Outside Programs (Spec Rev) |
| | Appropriation | \$10 * | Youth Services - STEPS Donations (Spec Rev) |
| B. | Appropriation | \$24,100 * | Information Technology _ Nutmeg Grant (Spec Rev) |
| C. | Appropriation | \$1,864 * | Youth Service - Enhancement Grant (Spec Rev) |
| D. | Appropriation | \$1,838 * | Street Lighting - Equipment Maintenance (Spec Rev) |

The Chair wanted to handle items A, C & D together. I'll look for a motion to approve items A, C & D. Mr. Beaudoin made a motion to approve. Ms. Feld seconded.

Motion passed unanimously on a voice vote for Items A, C & D.

Now, as to Item B, this is an information technology project offset by a grant which is coming in as a special revenue grant for \$24,100. I'll need a motion to move forward with this item.

Mr. Labieniec made a motion to approve which Mr. Pocock seconded.

As for an explanation, Mr. Brumback explained the Nutmeg Grant as a network that is being established by the state. It currently and has for several years been in place at the BOE and this is an expansion. This is an effort to regionalize and because of the regionalization of the effort we are getting substantially more capability at significantly less cost.

In order to defray the transition cost between the network we currently have thru Cox Communications and the Nutmeg Network, the state is providing a grant to make the transition.

Mr. Pocock said he discussed this at length with the town manager after speaking with other members of this board. I had a lot of

concerns and they were answered appropriately. My biggest fear was the fiber optic we ran for different operations here, this is not going to be a loss. It is going to be able to be used with this. And, our contract with Cox will soon leave us. Because of the phone system, we are not able to tie in with the BOE effectively.

I feel a lot more different. I was concerned about our upfront costs originally with Cox. That belongs to the town and whatever we have in that will be ours.

I feel in favor of this at this point.

Discussion of the network upgrade and what we will have access to if we join this network.

Motion passed unanimously on a voice vote.

2. Manager's Memos

None

Meeting Adjournment -

Mr. Coleman made a motion to adjourn which was seconded by Ms. Feld. Motion passed unanimously on a voice vote.

(Whereupon, the meeting was adjourned at 7:28 o'clock, p.m.)