

Minutes of Longmeadow Audit Committee
Meeting of January 23, 2007
Accepted March 1, 2007

Members present: Paul Adornato (Chair), Peter Landon, Glenn Rosenberg, Ernest Welker
Member absent: Larry Eagan
Others in attendance: Finance Director Paul Pasterczyk, town resident Joe Occhiuti

Chairman Adornato called the meeting to order at 7:12 p.m.

Proposed minutes of the December 20, 2006 meeting, which the Secretary had circulated via email and which included a late correction offered by Mr. Pasterczyk, were unanimously adopted after discussion of Mr. Pasterczyk's correction.

Proposed minutes of the January 4, 2007 meeting, which the Secretary had circulated via email, were introduced for discussion. Mr. Rosenberg raised a question about whether the independent auditor's compliance audit of grants included only Federal grants (as in the proposed minutes) or also state grants. After going to his office and looking at the independent auditor's grant audit report from last year, Mr. Pasterczyk said that the title of the report indicates it is for Federal grants. He also pointed out that Federal grants are sometimes funneled through the state, and those would be included in this compliance audit. After this clarification, the proposed minutes were unanimously adopted.

Discussion turned to the main purpose of the meeting: to review what had transpired at the Dec. 20, 2006 and Jan. 4, 2007 meetings and to map out next steps. (The Dec. 20 meeting was devoted primarily to a status report on recommendations made by the Abrahams Group in its September 2004 report on the Longmeadow Public Schools. The Jan. 4 meeting, with the Town's independent auditing firm, was held to get a report on the audit plan and its status for the FY2006 (12 months ended June 30, 2006) audit, to further discuss internal controls, and to discuss the degree to which their work covers the School Department and touches on matters raised in the Abrahams Group's report.)

Regarding the status of action (or inaction) on the Abrahams' recommendations, members discussed the extent to which the AC had responsibility, if any, beyond reporting to the Select Board what had been learned at the Dec. 20 meeting from presentations by Ms. Carol Cash, School Business Director, and Mr. Pasterczyk. Members agreed that the AC has no responsibility to go further than that. It was agreed that the status of recommendations made in the Abrahams report – and especially recommendations not acted on – should be included in the Committee's upcoming Quarterly Report to the Select Board.

With respect to the status of the independent auditor's work plan and timetable regarding the 2006 audit, the Committee agreed to include the latest available information at the time the Quarterly Report to the Select Board is drafted and presented orally. Scanlon & Associates, the Town's independent auditor, said at the Jan. 4th meeting that the Management Letter (dealing with weaknesses in internal control processes) would be available near the middle of February and the final full audit report a month later.

Internal controls procedures were the focus of a good deal of discussion. Members agreed that selected relevant portions of the minutes of our January 4, 2007 meeting dealing with concerns about internal controls be presented in the upcoming Quarterly Report to the Select Board.

One such topic was Mr. Scanlon's recommendation that the Town hire a part-time person whose sole role would be to look into internal controls and to report her findings and recommendations to the Select Board. Regarding this, a committee member asked Mr. Pasterczyk if there is much that such a person could do. Mr. Pasterczyk said he agreed with Mr. Scanlon's view that internal controls could be and should be improved. For instance, he said, a lot of policies and procedures are not well documented, that is, not expressed in detailed written form. He said a lot of such policies and procedures exist and serve as guidance (including for training new employees to a department) but are lacking in completeness and specificity. Mr. Landon asked what departments might so benefit. Mr. Pasterczyk replied, almost every department and every aspect of operation – purchasing, human resource, School, virtually all.

The Chair recognized Mr. Occhiuti's request to speak. He remarked that his long observation of Longmeadow government has convinced him that a good deal of ineffectiveness is due to the lack of clear, detailed policies, procedures and practices, which results in fragmentation of responsibility and authority, and in the end, with no one being held to account for ineffective performance. He voiced strong support for an effort to improve policies, procedures and practices. Mr. Occhiuti distributed an article from the Berkshire Eagle newspaper (January 23, 2007 edition) that reported a proposal by the Great Barrington Finance Committee to have a "long-term, in-depth examination of each town department's operation" to see "if efficiencies can be found [and] the town's systems can be improved." Mr. Occhiuti noted that one selectwoman adamantly opposed the proposal, calling it a witch hunt, and he said that it is the kind of automatic opposition to efforts to investigate operations that keeps town government inefficient.

Other topics discussed included the following:

Mr. Adornato reported that he met informally with Finance Committee Chair Judd Peskin (with Select Board Member Paul Santaniello joining them) to inquire about the status of the FY2008 budget proposal. Mr. Adornato said that budgeted expenses being discussed would be more than projected revenue and thus that overrides would be required to bring in more revenue and to have the proposed budget in balance. Mr. Pasterczyk was asked to comment on projected expenditure increases. He said the total was largely due to projected increases in employee pension costs of 4%, for health benefit costs 8%, and the impact of collective bargaining.

Mr. Adornato told Mr. Peskin and Mr. Santaniello that the AC was concerned about the rising liability for post-retirement benefits – both for pensions and for other benefits, mainly health benefits. He told them that GASB 45 requires municipalities to include in financial statements beginning FY2008 an actuarial estimate of the liability for post-retirement health benefits, which experts generally think will be quite high. Mr. Adornato reported that both Mr. Peskin and Mr. Santaniello agreed that post-retirement liabilities deserved further attention. Mr. Landon said it would be most helpful if a way could be found to systematically get more and better information on pension and post-retirement health benefits.

The Committee urged Mr. Pasterczyk to not wait until the last minute before beginning the process of hiring an actuary to estimate the Town's GASB 45 liability.

Mr. Adornato asked Mr. Pasterczyk if the Finance Committee gets an updated status of budget figures as a fiscal year unfolds. Mr. Pasterczyk said the FC does not regularly receive such reports and doesn't recall a request to receive them, but he surely would make the monthly reports available if the committee did ask. Mr. Adornato asked if the SB regularly gets such reports. Mr. Pasterczyk said he speaks to the Town Manager about the monthly status, but doesn't provide a written report to her and he doesn't know if the TM speaks to SB members about it or not. He added that departments give monthly activity reports to the TM, with budget figures a part of them but not generally a focus.

Discussion turned to Chairman Adornato's earlier-circulated draft of the Audit Committee report for inclusion in the 2006 Annual Town Report. Some suggestions were made, and wording was settled on. Mr. Adornato asked the Secretary to finalize the document and to submit it to the right party before the due date, February 2.

Pete Landon said that he heard that the Lower Pioneer Valley Educational Collaborative was having financial problems, in part because of higher financial obligations assumed in moving to new facilities. Noting that Longmeadow is associated with the LPVEC, Mr. Landon suggested that research should be undertaken to learn if the Town has a contingent liability for a share of the LPVEC's liabilities, or of any other collaborative, in the event the group can't meet them from their own revenues.

Chairman Adornato informed the Committee that he would be away for much of Feb. and March and asked the Secretary to prepare a draft of the Committee's Quarterly Report to the Select Board for 2Q FY2007 and to work with the Vice Chair to finalize it and to give an oral presentation to the SB.

Vice Chair Pete Landon was authorized to set the date of the next meeting after the independent auditor's draft Management Letter is received and circulated to members.

The meeting was adjourned at 9:35 p.m.

Respectfully submitted,
Ernest Welker, Secretary