

Minutes of Longmeadow Town Audit Committee
Meeting of October 26, 2006
Adopted November 7, 2006

Members Present: Paul Adornato (Chair), Larry Eagan, Peter Landon, Glenn Rosenberg, Ernest Welker; David Kowarsky (Associate)
Invited Guests: Tom Scanlon, Tom Scanlon, Jr., and Greg Winters of the firm Thomas J. Scanlon & Associates, Patrice Squillante of the firm Melanson, Heath & Company, P.C., Town Finance Director Paul Pasterczyk, Town Treasurer/Tax Collector, Mary Pequignot
Other; town resident Joe Occhiuti.

The meeting was called to order at 7:00 p.m. by the Chair.

The Chair introduced and welcomed Glenn Rosenberg, recently appointed by the Select Board to fill a vacancy. The Chair invited Mr. Rosenberg to say a few words. Glenn remarked that he is CFO of a large community health care organization and when he saw the notice of the AC's vacancy, and after looking at the AC's duties, he concluded it was an opportunity for him to help the Town. He mentioned that he had experience in reviewing external auditing firm candidates and was pleased to get appointed in time to participate in the AC's current process of deciding on a candidate firm to recommend.

Proposed minutes of meetings held July 13, 2006 and October 16, 2006, having been circulated to all members via email, were individually moved and unanimously approved. The tardiness of the July 13 minutes was due to the resignation of Mike Giampietro, who had recorded minutes of that meeting and subsequently resigned from the AC avoid any conflict of interest possibility. Demands associated with his job change kept him from composing minutes from his notes until recently.

This meeting was devoted primarily to interviewing representatives of two invited firms who made proposals to provide External Auditor (EA) services to the Town. Invitations to submit proposals had been sent by Mr. Pasterczyk to 13 prospective auditing firms. Because municipality auditing is a specialty, only three firms submitted proposals. At its last meeting, the AC, after reviewing and discussing the three proposals, decided to conduct interviews with two of the three firms. Representatives of Scanlon & Associates were interviewed from 7:15 p.m. until 8:15 and the Melanson, Heath representative from 8:20 until 9:20. AC members were joined by Mr. Pasterczyk and Ms. Pequignot in the interviews.

Chair Adornato had earlier sent to each firm a list of 10 topics the AC wanted to address at the interviews, and he used those to guide discussion. Town Manager Crosbie also submitted a few topics she wanted to be sure were covered. All participants in the interviews were invited to raise questions or offer comments, but the Chair said he would insist on staying on topic and on time so that all topics could be covered in the hour time span.

The 10 AC topics had the form of these questions:

1. In general how will you handle or approach this account? Will our software have an impact on the process?
2. Who will be your lead person on the audit? Please bring them to the interview.
3. How did you approach the breakout of staff versus supervisor hours, and what is the role of supervisors?
4. How do you view the Internal Audit (IA) function? Explain your definition of the IA function and its significance and what you will be looking for in this area and how it can help us.
5. Will you include "management response" in your report?
6. What new issues or areas will your audit include? Will you include the review and impact of post retirement employee benefits for health care and unfunded pension liability costs and future impact on the town of funding and reporting requirements for these areas?
7. Tell us the importance of your audit and how it helps us to maintain or improve our bond rating.
8. How will you integrate the school financials into the report?
9. Will your report language be "reader friendly"?

10. (For Scanlon & Associates, who has been the Town's external auditor since 1990 or so.) What are advantages and disadvantages of continuing to retain you as our Auditor?
10. (For Melanson, Heath) What would be the advantages and disadvantages of hiring you since you do not have any past experience with us?

After interviews were completed and only Members, Mr. Pasterczyk and Ms Pequignot remained, there was open discussion on many matters and many comments about the candidate firms. There was a general consensus that the interviews went well, that both firms were favorably impressive, and that either could probably serve effectively as the Town's EA. Mr. Adornato asked for comments focused on the relative pros and cons of each firm. Following that discussion and after getting the approval of AC Members, he called for an open indication of preference by each Member. The preference was unanimous for one of the firms, yet most Members commented that the other was a strong candidate also. Upon completion of the preference vote, the Chair asked each Member to send an email by the 31st stating his preferred candidate with a listing of pros and cons for each firm that went into that decision. The Chair said he would condense the individual lists into one and use it for drafting a recommendation letter for consideration at the AC's next meeting.

There was discussion about process, centering on the implications of the citizen's petition warrant article for the November 28th special Town meeting, proposing amendment of Town by-laws such that the Select Board (not the Town Manager as governing documents now provide) would have responsibility for hiring the external auditor taking into account the advice of the AC. At its September 26th meeting, the AC unanimously voted to support the article "because it places responsibility for the external auditor with the Select Board thus eliminating any conflict of interest between town management and external auditor." The Chair said he would seek clarification of process by the AC's next meeting.

Discussion turned to the date for the next meeting and agenda items. Further consideration of EA appointment and development of the AC's activities for the balance of this year are two. The Chair asked that Members submit, along with their email of pros and cons on candidate EA firms, their suggestions of matters the AC should work on. He also invited additions to the agenda. Next meeting set for November 7, 6 p.m. at the fire station meeting room.

Meeting adjourned at 10:08 p.m.

Respectfully submitted,
Ernest Welker
Secretary