

Minutes of Longmeadow Town Audit Committee
Meeting of November 7, 2006
Adopted December 6, 2006

Members Present: Paul Adornato (Chair), Peter Landon, Glenn Rosenberg, Ernest Welker; David Kowarsky (Associate). Absent: Larry Eagan

The Chair called the meeting to order at 6:08 p.m.

Minutes of October 26, 2006 meeting were unanimously approved, after minor revision to the proposed minutes earlier circulated via email to all members by the Secretary.

The committee discussed the Chair's draft memo regarding its recommendation of a firm to provide independent auditor services to the Town's for fiscal years 2007-2009. The Chair had circulated a draft based on responses he received from each AC member stating his preferred candidate firm along with a list of pros and cons for each firm that went into the decision. Some revisions were suggested to the draft memo, with finalization of the document language left to the Chair and the Secretary. The Committee voted unanimously to recommend the firm of Thomas J. Scanlon, CPA & Associates for these reasons:

- Scanlon has an extensive knowledge and familiarity of the Town's operations, since he is currently our independent auditor and has been for many years.
- Because of the recent personnel changes in the Town's financial departments and the addition of new software, it will be much less disruptive to our people if we continue to use Scanlon rather than to retain a new firm at this time.
- Scanlon's knowledge of our practices and procedures will be of benefit to our new staff.
- In addition, Scanlon's firm will be helpful to our people in interpreting new accounting data from our new software systems because of their knowledge of our operations.
- The firm has a deeper experienced team that will be doing the field work and many of them have previous knowledge of the Town's operations.
- The Town has had more than satisfactory experience with Scanlon in the past and they have proven to be helpful and responsive to our staff throughout the year when we have had questions or were seeking assistance.
- They have not taken their past relationship with us for granted and are committed to bring to us any new and innovative services as they develop in the future.
- A bonus advantage is that Scanlon's fees are slightly lower.

The recommendation was addressed to the Select Board, with copies to Robin Crosbie, Town Manager and Paul Pasterczyk, Finance Director. The Committee directed the Chair to present the recommendation to the Select Board and other parties as soon as practicable. He did so on November 14, 2006.

Members discussed the AC's report to the Select Board for the period July 1 to September 30, 2006, a draft having been earlier distributed to Members via email by the Chair. As a result of discussion, the Committee suggested some revisions to the draft report, authorized the Chair and Secretary to finalize the document, and directed the Chair to deliver the completed report to the Select Board as soon as practicable. Of the five listed matters, two dealt with recommendations made by the Town's independent auditor in its Management Letter submitted as part of the FY 2005 audit.

As the initial stage of the Committee's review of the Sept. 2004 report by The Abrahams Group regarding the financial and administrative practices and procedures of the School Department, the AC discussed and approved a memo addressed to the School Committee and Finance Director requesting a status report on the actions recommended in the report. The Committee authorized the Chair and Secretary to finalize the memo and directed the Chair to deliver it when completed. The Select Board, Town Manager, and outside auditor Thomas J. Scanlon & Associates were to receive copies.

Ernie Welker, reporting for the Benefits Sub-committee, distributed and commented briefly on a package

of materials that included: an update through November 7 of Open Pension-study Items as of July 11, 2006; Exhibit 5, Summary of Plan Provisions and selected pages, dealing with forecasted System appropriations and with Member Unit appropriations based on payrolls (as is done presently) and on Normal Cost (an alternative method), from the January 1, 2006 Actuarial Valuation Report of the HCRRS (Hampden County Regional Retirement System); selected pages, describing HCRRS "Supplementary Membership Regulations (permitted by law if approved by PERAC) on such things as minimum earnings required for membership, requirements for membership, creditable service for less than permanent full-time employment) from PERAC's draft audit report of the HCRRS for the three-year period January 1, 2002 – December 31, 2004, conveyed to the HCRRS with a cover letter dated July 25, 2006; an illustration of how it is possible under these regulations for certain employees of Member Units to get enormously high pension benefits relative to the income earned in most of their years of System membership (which means System Member Units get stuck with an enormously high pension cost relative to the compensation earned by such employees/retirees). Ernie concluded by saying the Sub-Committee's inquiry to date justifies having the review of Town pension benefits high on the list of AC projects worthy of attention.

The chair asked members for their thoughts on matters the AC should consider undertaking during the remainder of this fiscal year. The following items were raised during discussion.

- Review and report on employee benefit programs and their potential impact on Town financials
- Monitor and report on actions taken relative to those recommended in the Abrahams Group's report
- Follow-up on open items in independent auditor's Management Letters
- Review independent auditor's report and Management Letter for 2006
- Look into availability and possible usefulness of monthly financial statements
- Review internal financial controls and consider the cost/benefit tradeoff of strengthening them
- Review and monitor energy cost-control programs and procedures
- Review ethics and "whistle blower" programs
- Review and monitor compliance with Homeland Security programs and mandates
- Review and monitor compliance with environmental protection programs and mandates
- Review and monitor school safety programs
- Look into opportunities to improve Town's bond rating
- Explore opportunities for efficiency improvements with Town financial management

At its next meeting the AC will discuss prioritizing them and then communicating our work plan ideas to the SB, TM and FD.

A date for the next meeting was not set. The AC Chair had discussed with the Finance Committee Chair the possibility of a combined meeting and he was to explore when that might be.

The meeting was adjourned at 9:00 p.m.

Respectfully submitted,
Ernest Welker
Secretary