

Minutes of Longmeadow Audit Committee  
Meeting of March 1, 2007  
Adopted April 5, 2007

Members present: Peter Landon (Vice Chair), Larry Eagan, Glenn Rosenberg, Ernest Welker  
Members absent: Paul Adornato  
Others in attendance: Finance Director (FD) Paul Pasterczyk

Vice Chair Landon called the meeting to order at 7:03 p.m.

Proposed minutes of the January 23, 2007 meeting, which the Secretary had circulated via email, were unanimously adopted after a revision proposed by Pete Landon.

The Vice Chair allowed Ernest Welker to ask a question of Mr. Pasterczyk that was not germane to the main agenda topic but which could be dealt with quickly. The question had to do with a matter raised by the Town Manager in her presentation of the recommended budget to the Select Board at its meeting of Feb. 20, 2007. In commenting on employee counts for FY 2008, Ms. Crosbie said that a plumber and an electrician were being added as full-time employees, the two persons being hired having done such work for the Town on a contract basis as employees of the Lower Pioneer Valley Educational Collaborative at an hourly rate of \$39. Their hourly rate as employees would be \$26 said Ms. Crosbie. Mr. Welker asked Mr. Pasterczyk if the \$26 hourly rate of pay included benefits or not. Mr. Pasterczyk said the employees would be eligible for benefits as full-time employees but the Town's costs to provide those benefits were not included in the \$26 figure. Mr. Welker asked Mr. Pasterczyk what his department used as an estimate of benefit costs as a percentage-of-base pay when full-cost estimates of employee compensation were needed, was it 35-40 percent? Closer to 50 percent, said Mr. Pasterczyk. So, asked Mr. Welker, the full-cost hourly rate to the Town for adding these two employees would be just about the \$39 contract rate for their availability on an as-needed basis? Approximately, said Mr. Pasterczyk.

The meeting having been called to review the draft Management Letter (ML) of the Town's independent auditor (IA), Scanlon & Associates, for the audit for Fiscal Year ending June 30, 2006, attention turned to it.

As part of an audit, the IA reviews the Town's accounting procedures and internal control structure in order to be able to formulate an opinion on the financial statements of the Town. The review is not intended to disclose all weaknesses in internal controls. The ML summarizes overall conclusions and recommendations resulting from the review. The draft ML has two main sections, Status of Prior Year Findings and Recommendations, (with sub-sections, "prior year findings that have been rectified" and "prior year findings that have not been rectified") and Current Year's Management Findings and Recommendations.

Three prior-year findings and recommendations were reported as rectified. Two dealt with the Collector's Office, one related to the process of reconciling tax bills, collections, and outstanding amounts and the other with the timeliness of check deposits. The third was a recommendation that the Town's investment policy be updated, which the AC had worked with the FD's office to accomplish.

Five unrectified prior-year findings and recommendations were repeated in this draft ML, with a place left for the Town's Response to each. These deal with: (1) the failure of money received in connection with student activities to be turned over to the Town treasurer as required by Mass law, (2) the absence of a full encumbrance method for purchases and requisitions, (3) insufficiency of fraud risk assessment and of department internal controls, (4) reporting of infrastructure assets for roads, bridges, dams, etc. and (5) the retention of an actuary to estimate the Town's liability for promised "post-employment benefits other than pension plans" (OPEB).

Matters raised in the current-year findings and recommendations included: (1) receipts depositing and reporting practices at the fire department, (2) inventorying of small assets, (3) opportunities to improve department reporting via the new computer system, (4) delayed deposits of funds received for summer

school courses, and (5) follow-up on remaining items in the Abrahams Group's recommendations for operational improvements of the school department (in accordance with the audit committee's recommendation). Space is provided in the draft ML for the Town to respond to each of these, as it is for unrectified prior-year recommendations.

The AC took up some of the ML items with Mr. Pasterczyk, who commented on what the Town's likely responses would be to some of the recommendations. After Mr. Pasterczyk left the meeting, the AC discussed the ML and concluded that clarification and elaboration of some of the IA's recommendations was needed before the committee could formulate its own recommendations. It was agreed that Vice Chair Landon would submit a request for further information to Scanlon & Associates. Mr. Landon asked AC Secretary Ernie Welker to provide him with his notes on the relevant discussion. The next three paragraphs cover that discussion and indicate the information Mr. Landon was to ask of Scanlon & Associates.

The repeated recommendation "that the Town should adopt the full encumbrance method, a full purchase order and requisition system be implemented in order for encumbrance accounting to be implemented which would assure effective budgetary control" was one such item. In discussion on this matter, Mr. Pasterczyk said the Town's response will likely be the same as earlier, namely, that Town management believes the current \$500 threshold for purchase orders is sufficient to minimize financial risk from purchase abuse or fraud, weighed against the inconvenience and associated higher cost it would take to extend the system to purchases of any amount. The AC discussed the need for more information about the seriousness with which the IA views this weakness and information about how other municipalities are dealing with the issue.

Discussion of the repeated recommendation under the heading Fraud Risk Management, Implement Regular Department Internal Audits also brought some information needs to the fore. While the AC agrees with the IA's assessment and recommendation to hire someone, probably a part-timer, to work solely on internal controls, the AC believes it would need more information to be able to formulate a position on the recommendation. The identified need is for Scanlon's guidance on the seriousness of his recommendation and on the availability of the IA's assistance in outlining what a part-timer reasonably could be expected to do and what priority might make most sense.

In discussion of the Current Year recommendation that the Town inventory small items, it became clear that the AC needed, before establishing its own recommendation, a notion of how Scanlon would quantify "small items."

No date was set for the next meeting, it being dependent on the availability of additional information, including the expectation that the final audit report would be available near the middle of March.

The meeting was adjourned at 8:43 p.m.

Respectfully submitted,  
Ernest Welker, Secretary