

Minutes for Audit Committee Meeting of May 22, 2008  
Police Station Community Room  
Adopted July 24, 2008

Present: Ernest Welker (Chair), Larry Eagan, Ray McCarthy, Glenn Rosenberg, Paul Smith

Call to order at 7:03 p.m.

Minutes of the April 16, 2008 meeting were unanimously approved.

Miscellaneous matters were taken up first in order to give the balance of the meeting to Ray McCarthy for his presentation on budgeting.

Updates on identified projects

**Pension benefits** Ernie reported that municipal representatives never attended HCRRB meetings, including Longmeadow. He reported that a Longmeadow representative will attend in the future, with him, Paul P., and Treasurer Mary Pequignot sharing the duty.

**Health benefits** Larry did not get an update from Paul P. on progress of signing contract with Segal Co. on the GASB 45 OPEB liability calculation. Ernie reiterated that he would like to review the assumptions *before* calculations are made. He also expressed concern that the GIC (state) option for health benefits has not been analyzed, which ought to be done so that it could be brought into contract negotiations if an analysis shows a cost benefit from doing so.

**Internal controls and procedures** Ernie reported he received a call from Paul P. just an hour or so before the meeting, saying he was in his car going to a business meeting when he remembered he may not have sent, as he intended to do, his update on the ML Findings that Glenn had requested. He apologized if he hadn't and said he would send them via email "tomorrow."

Glenn distributed and discussed a memo from Tom Mazza dated 5/20/08 concerning implementation of recommendations in IA's Management Letter.

Finding 2007- 1 – Accounting/financial policies and procedures manual steps have not been taken at this time. With anticipated upgrades of the MUNIS software, some current procedures may be modified.

Finding 2007-2 – Functional lines of school budget: School policy is being followed. Glenn will follow up to see if a written policy exists.

Finding 2007-3 – Athletic revolving – Glenn will follow up.

Finding 2007-5 – School revolving account fees – Necessary action taken, as was reported at March 13, 2008 meeting with AC representatives..

Cost allocation town and schools – Reported that it will be completed before work begins on FY08 End of Year Report.

Risk management issue, overloading of school buses – No reply yet from School Supt. Jahn Hart to Ernie's email dated April 25, 2008 asking about policy and procedures on this matter

Updates on other matters

**FY07 audit appearance at SB meeting** Ernie asked members for their thoughts about requesting time at a Select Board meeting to present our views about the Independent Auditors report and findings for the prior year. Ernie will look into the way that the Audit Report is now available to the townspeople.

**Investment Policy Task Force** Ernie reported its first meeting was held. Peter Landon was elected Chair. Based on good discussion about things to be included in an IP Statement, Peter and Paul Pasterzyck will do

a first draft for consideration and discussion at the next meeting, date to be determined once draft is ready and circulated.

Longer term concern Ernie mentioned that he learned from Jim Nittoli that he, Carla Gunn (FC Chair) and Mark Barowsky (FC Vice Chair) are members of a long-range planning sub-cmtee of the Finance Committee tasked with developing longer-term Town expenditure and revenue growth paths and projections in order to see future financial and budget implications for the Town. Jim said the sub-cmtee had held its first meeting and had requested Paul P. to put together certain data.

### Budget process

Ray distributed a check-list document "Evaluation Framework for Public Budgets along with his first-draft PowerPoint presentation "Current Budget Process and Best Budget Practices."

The Evaluation Framework was discussed first. Paul and Ray agreed that the Town's Budget document incorporated most of the enumerated items but that the presentation was far from being user friendly. Ray included comments on this in his PwrPt presentation.

Ray gave an oral walk through of his presentation, inviting and getting discussion along the way. The first part of Ray's presentation provided an overview of the Town's current budget calendar and required dates for submission of budget proposals by the various committees and Town Manager. The one page summary timetable was prepared based on information included in the Town Charter however; Ray noted this information was not easily accessible without doing a lot of digging and detailed reading.

The next part of the presentation reviewed the positives and negatives of the Town's current budget process. Ray provided his perspectives based on information obtained from other websites, agencies and the Framework checklist mentioned above, and also on his years of direct professional experience budgeting for large entities. Some of the Town's positive budgeting practices that were highlighted included detailed financial information for two fiscal years, number of positions and expenditures segregated into departmental units and high-level information about the services being provided by the Town. Although these were highlighted as positive traits, there was an underlying flaw -- all of this information was difficult to get and not easily understandable to the average citizen. Ray also reviewed some weaknesses he observed in the Town's current process. The most glaring issue, plain for all to see at the recent Annual Town meeting, was the lack of timely, adequate, and effective communication among the key parties to the Budget process: the School Committee, the Finance Committee, the Town Manager and the Select Board. The manner in which the budget timetable is set and current process to submit each budget proposal leads a "silo" effect wherein every party acts, to a troublesome degree, independently and with minimal collaboration. Ray also noted that such budget information as was available was not presented in a consistent or easily understandable format.

The PwrPt presentation concluded with highlighting of some budgeting techniques that are used in large institutions, a key one being a kick-off meeting attended by all key parties to discuss and determine priorities, outline challenges, and establish targets. Based on his personal discussions with Town citizens, Ray said they want to have a better idea of what services and programs they are getting and the "outputs" delivered to the citizens, they do not like seeing pages and pages of numbers, funds and accounts. After a general discussion revealing points missing from the first draft, the AC asked Ray to make some edits to the presentation and to make arrangements to review it with the Finance Committee and other impacted parties to get more feedback and insight.

The Chair was to set the date of the next meeting according to when the Budget matter could again be considered and/or other matters needed attention.

Adjourned 9:25 p.m.

Respectfully submitted,  
Ernie Welker  
Ray McCarthy