

Minutes for Audit Committee Meeting of August 14, 2007
Approved October 17, 2007

Present: Members: Ernie Welker, Glenn Rosenberg, Larry Eagan
Others: Paul Smith, Joe Occhiuti, Finance Director Paul Pasterczyk

Call to order: 7:06 PM.

Minutes of June 7, 2007 meeting were approved.

Ernie Welker offered some comments on events he participated in since the AC's last meeting.

He reported that he, Dean Rogeness and Larry Starr met with TM Robin Crosbie and FD Paul Pasterczyk on Aug., 8, 2007 to inquire if the TM would support the appointment of a group of citizens to fully research the pension issues the AC had preliminarily explored earlier but did not have time to carry out further. She was enthusiastic about it, and created that day the Longmeadow Pension Review Task Force, whose initial members were: himself, Dean Rogeness, Larry Starr, Pete Landon and Ned Steiger. The Task Force has a broad charge to research, analyze and make recommendations whether the town should urge the HCRRB to use the state pension investment pool, known as PRIT, or should in other ways seek to gain such benefits as may be available and advisable.

Ernie also reported that he and Larry Eagan met informally with Jim Nittoli, who was appointed to the Finance Committee and had resigned as a member of the School Committee. Discussion included updating Jim on earlier AC interactions with the Finance Committee and getting Jim's opinion on budgeting and financial issues as he saw them from his experience in School matters. Mr. Nittoli was supportive of regular contact between the AC and FC and with other committees.

Ernie reported he attended the Select Board meeting held the previous night and remarked there was considerable discussion about how the Town would budget for the higher costs of the new teacher's contract, what could be covered with funds available in the FY08 budget and what would be sought via override. The discussion also included prospective challenges to fund contracts with unions representing employees other than teachers, which were expiring at the end of FY08 and almost surely would include raises similar to those negotiated with teachers. Discussion at the AC meeting centered on cost trends vs. normal revenue trends of the Town and on citizen willingness to vote for overrides. There was recognition that they seem unsustainable.

Attention turned the meeting's agenda, which primarily focused on priorities for the year.

Primary Projects

Pension Matters

The creation of the Pension Review Task Force comprised of citizens with expertise in the area and a willingness to give the project considerable time is highly welcomed by the AC, which has raised concerns about the Town's pension obligations but doesn't have the resources itself to for either doing the necessary research and analysis. The Chair proposed that he will take lead responsibility for representing the AC in this matter and keeping the Committee informed on it.

Health Benefits

GASB 45 OPEB liability – Mr Pasterczyk reported RFP is out with Longmeadow, East Longmeadow, Hampden-Wilbraham Regional School District, and Lower Pioneer Valley Regional Education Collaborative. Pre-bid conference is tomorrow for the Town to solicit from 6 bidders. A decision will be made in September.

Mr. Pasterczyk handed out an informative letter from the Mass. Municipal Assoc. regarding the process of joining the Group Insurance Commission GIC. It was pointed out that part time employees (20 weekly hours) for a period of 10 years are fully vested for pension and health benefits. Paul suggested that we should wait until the fall to decide if a task force needs to be commissioned to examine the health program. At that point we will know if other entities such as the Mass. Municipal Assoc. have examined the issue sufficiently. Paul said that the current Scantic Valley group that we participate in has a clause in it for losses if you leave the plan, but does not have language addressing leaving while there is a surplus. Currently the surplus is \$2.5 million. Longmeadow has approximately 30% of the total participation.

Internal Controls

Part-time person for internal controls has not been actively pursued by Paul P. and may not be until the override issue is resolved. Paul has budgeted 8 hours a week for this person. Paul is not sure if there is a good candidate out there. Glenn offered to help interview. Ernie suggested we could “talk up” the position to see if a good candidate turns up.

Glenn discussed the budget presentation format. In the meeting with Jim Nittoli the idea of a line item presentation with columns for “budget”, actual, deviation and a comment line on the deviation was discussed. Such a revised presentation format would improve transparency and provide better understanding by all parties. Paul P. said that the town website has shown the numeric history and that the numbers could be married into one document, but the biggest objection may be printing costs. Glenn will follow up in the future with Finance Committee and School Committee to discuss budget format. Paul P. reminded the Committee that by charter the Town Manager is responsible for presenting the budget to the town – so she has to be involved.

On-Going Matters

MUNIS progress update from Paul P. Additional training will occur. Five days of training has been encumbered financially from last year. Paul P. said that MUNIS training is key for HR to be able to produce yearend reports with much less effort.

Paul P. said accounting concerns (approximately 40) were straightened out with School so far. Paul P. said he expects far fewer problems with School for FY’08. The new School Business Director, who reports to the Superintendent and not the Town Finance Director, officially starts work on August 27, after which Paul P. and he will get together. A new Town Accountant, Sandra Choquette, began work on 8/13/07.

For FY’07 audit, Paul’s goal is to have balance sheet available for the Independent Auditor by September 15, with the rest of the books available October 1st. Paul said this would be an overall 3 week improvement over last year and should enable the Independent Auditor to complete the FY’07 audit by the end of December, as is called for in his contract. The completed audit for FY’06 was not presented until April 2007 because some information was delayed.

Glenn asked if the town has a compliance officer. Paul said that the Town Manager is probably that officer by default. There is no one specifically designated as Compliance Officer. Also there is not a Whistle Blower mechanism in place such as anonymous voice mail. He said previous town audits and

management letters have not addressed this. Glenn and Paul Smith agreed that Whistle Blower requirements are not a financial matter and thus not an Independent Auditor responsibility, more likely an HR matter.

The Committee agreed on the following work priorities for FY2008:

Focus projects

Pension benefits

HCRRB investments, (Pension Review Task Force)
Plan provisions (e.g., eligibility, yrs service, benefit on highest 3 yr avg)
Lead responsibility: Ernie Welker

Health benefits

GASB 45 OPEB liability
Actions to deal with the liability
Group Insurance Commission option
Citizens task force?
Lead responsibility: Larry Eagan

Internal controls and procedures

Part-time person for internal controls
Other internal control issues
Lead responsibility: Glenn Rosenberg, (with Paul Smith if appointed to AC)

Budget presentation format

Work with FC, SC, FD
Lead responsibility: Glenn Rosenberg (with Paul Adornato if appointed to AC?)

On-going matters

Current audit

MUNIS progress [ties to current audit, budget presentation format and attention to School]
Abrahams Group report
ERM (Enterprise Risk Management)

Longer-term concern

Address unsustainability of expenditure growth path above revenue growth path

Other Business

The Chair thanked Paul Pasterczyk for his cooperation with the Committee.

Next meeting: Wednesday, October 17th at 7:00PM, location to be determined by the Chair.

Adjourn: 9:03 PM.

Respectfully submitted,
Larry Eagan, Secretary