

Longmeadow Audit Committee
Minutes of the meeting of September 1, 2011

Members Present: Ernest Welker, Chair, Glenn Rosenberg, Vice Chair, James Shriver, Clerk, Christopher Boutin

Members Absent: None

Others Present: H. James Law, Finance Comm., Paul Pasterczyk, Finance Dir., Christine Swanson & Robert Barkett, School Building Comm. Co-Chairs, Thomas Murphy, Project Mgr. JLA

Acceptance of Minutes: The minutes of the Aug. 11, 2011 meeting, and the annual work plan for the AC were unanimously approved.

School Building Committee Project Review:

As stated in the AC work plan for 2012, this meeting was primarily devoted to "Looking into and fulfilling the AC responsibilities pertaining to the high school building project."

Chairman Welker introduced members of the AC and SBC around the table.

Mr. Boutin led an in depth discussion on project financial over-sight procedures regarding a list of questions the AC had provided to the SBC Co-Chairs. That list is attached to these minutes.

Owners Project Manager Murphy of Joslin Lesser and Associates and SBC members Swanson and Barkett provided in-depth answers to the AC concerns as well as giving The Audit Comm. a full update on the project progress to date.

Chairman Welker thanked the SBC members and Mr. Murphy for their report, and were impressed and satisfied with the established internal control currently in place for the project.

Mr. Welker and Mr. Boutin at the request of the committee then drafted a report to The Select Board on our review and general approval of the project controls which would also negate a current AC request for further auditing funds to cover this project. The report is attached to these minutes.

Next Meeting:

Mr. Boutin and Mr. Welker were tasked with setting a date for the next meeting depending on availability of Town IT leadership and AC members. Subsequently the date was set for Oct. 4, 2011 to review Town IT control procedures.

Respectfully Submitted:

James Shriver, Clerk

Appendix: Report to the Select Board
Appendix List of questions to the SBC

To: Select Board
From: Audit Committee
Date: September 1, 2011

Re: High School Building Project

Background

The Audit Committee's report to the Select Board (and others) on its work priorities for this year, had among its Focus Project listings these items:

1. Look into and fulfill responsibilities pertaining to high school building project, and
2. Internal audit concerns - Develop "agreed upon procedures" (AUPs), seek funding, and act to implement. Among areas being considered was the high school building project .

Last fiscal year the Audit Committee (AC) determined that it would, as an initial step, inquire into the internal controls for the high school building project.

Process

The AC has performed the procedures described below with respect to the High School Building Project (Project) as of September 1, 2011. Town management is responsible for maintaining the system of internal control over the Project. Our procedures were *not* conducted in accordance with any professional standards. We did not conduct an audit, the objective of which would be the expression of an opinion on the controls governing the Project. Accordingly, we do not express such an opinion.

The procedures were as follows:

The AC developed a set of questions that needed answers. The AC explored if they could be obtained from or through parties thought likely to be able to provide the information relatively easily. When efforts along that path proved unproductive, the AC set about reading Project contracts and found some clear answers to the questions and apparent but not fully clear answers to others. The list was pared to the second set of questions, and the apparent answers were added. The AC provided that list with apparent answers to the Co-Chairs of the School Building Committee and asked for assistance in getting clarifications. At an AC meeting on September 1, SBC Co-Chairs Bobby Barkett and Chris Swanson, and Thomas Murphy of Joslin Lesser & Associates (the Owner Project Manager contracted to manage the Project) responded to the list of open questions and other matters raised by the AC. The AC acknowledges and thanks them for their forthright and useful information. Upon their departure, the AC discussed the matter and agreed to the statement below.

Conclusion

Nothing came to our attention concerning the Project controls that, in our judgment, warrants further attention from the AC beyond the audit procedures to be conducted by the Town's independent auditor, Scanlon and Associates, as part of its normal work. Thus the AC does not anticipate at this time requesting additional audit funding for the project. As usual, the AC will work with Scanlon & Associates and Finance Director Paul Pasterczyk to determine what areas will be audited this year (as part of the audit for FY11).

Audit Committee

September 1, 2011

Copies: SBC Co-Chairs Bobby Barkett and Christine Swanson

List of questions used for discussion with the School Building Committee

Question	AC Developed Response
1. Project Status Reporting	
What are the methods used to monitor the current status of the project. This can be a list of tasks completed to date and tasks to be completed prior to occupancy.	We have reviewed the status of the project available at: http://www.longmeadow.org/sbc/index.htm Also, the School Building Committee (SBC) discusses the project at an open meeting monthly. We understand in the contract between Owner (Town of Longmeadow) and the Construction Manager (CM), the CM (Gilbane Construction) submits on the fifth of each month, a project status overview which includes progress, quality, safety, loss control, workforce participation, procurement, project schedule, project cost, with cash flow, Change Orders (CO) and Potential CO.
2. Project Monitoring	
What is the plan for monitoring the project and ensuring that the CM can meet the documentation and reporting needs (accurate, sufficient, and verifiable)?	The OPM is responsible for monitoring the project and ensuring that the Contractor can meet the documentation and reporting needs (accurate, sufficient, and verifiable). The OPM monitors the project on a daily, weekly, monthly, quarterly, & annual basis for the SBC and reports to the SBC.
3. Contractor Fieldwork	
How is the OPM going to review the contractor fieldwork for general conformance to contract plans and specifications, material testing and certification including the commissioning and close out processes?	The OPM provides a project management service which includes reviewing the contractor fieldwork for general conformance to contract plans and specifications, material testing and certification including the commissioning and close out processes.
4. Contractor Compensation	
What is the plan related to CM compensation for labor and how is the validity of the amounts and cost verified?	Per CM contract, CM is paid for labor incurred on site in Longmeadow. The OPM indicates "Lump Sum General Conditions will be paid for the full value ... with no documentation necessary." The OPM, per OPM contract is responsible for the validity of the amounts and cost.
5. Insurance Requirements	
<p>A. How are insurance requirements handled and how is the validity of the amounts and cost verified?</p> <p>B. Who is responsible for ensuring that sub-contractors and sub-sub contractors have appropriate Insurance?</p>	<p>A. Insurance is covered in the CM contract. The OPM indicates that insurance requirements are part of the GMP cost.</p> <p>B. The CM contract provides for insurance cost reimbursement.</p>
6. Proper Billing	
<p>A. Who verifies that costs billed are reimbursable per the terms of the contract?</p> <p>B. Who ensures that price, quality, and completion falls with contract and agreed upon schedules?</p> <p>C. What is the role of Town Finance Dept in processing applications for payment?</p>	<p>A. OPM is responsible for verification costs billed are reimbursable per the terms of the contract.</p> <p>B. OPM is responsible for ensuring that price, quality, and completion falls with contract and agreed upon schedules.</p> <p>C. Finance Director Paul Pasterczyk is responsible for applications for payment.</p>