

Beacon Falls Board of Finance
10 Maple Ave.
Beacon Falls, CT 06403



BEACON FALLS BOARD OF FINANCE
Regular Monthly Meeting
May 14, 2013
MINUTES
(Draft Copy-Subject to Revision)

1. Call to Order/Pledge of Allegiance

Chairman Jim Huk called the meeting to order at 7:34 PM.

Members present: Joe Dowdell, Robert Doiron, Jack Levine, Marc Bronn (8:00 PM)

Others present: Selectman C. Bielik (7:43 PM) Town Treasurer Mike Krenesky, Town Finance Manager Manny Gomes, and about 3 members of the public

2. Opening of the RFP auditor bids

J. Huk began the meeting by opening and reading the RFP auditor bids. Four bids were received. The current town auditor did not file a bid. All of the bids were priced over 5 years (2013–2017), as follows:

- 1) Sondra E. Welwood LLC, PO Box 4159, Danbury, CT
 - Year 1 (2013) \$16,900
 - Year 2 (2014) \$17,000
 - Year 3 (2015) \$17,100
 - Year 4 (2016) \$17,200
 - Year 5 (2017) \$17,300
- 2) Mahoney, Sabol & Co. LLP, 95 Glastonbury Boulevard, Suite 201, Glastonbury, CT
 - Year 1 (2013) \$36,000
 - Year 2 (2014) \$37,000
 - Year 3 (2015) \$38,000
 - Year 4 (2016) \$39,000
 - Year 5 (2017) \$40,000
- 3) Joseph Centofanti, Cohn Reznick, LLP, 76 Batterson Park Road, Farmington, CT
 - Year 1 (2013) \$32,000
 - Year 2 (2014) \$32,750
 - Year 3 (2015) \$33,500
 - Year 4 (2016) \$34,250
 - Year 5 (2017) \$35,000
- 4) O'Connor Davies, LLP, 100 Great Meadow Road, Wethersfield, CT
 - Year 1 (2013) \$32,500
 - Year 2 (2014) \$32,500

- Year 3 (2015) \$33,475
- Year 4 (2016) \$34,475
- Year 5 (2017) \$35,500

B. Doiron asked what the town pays the current auditor and M. Gomes replied \$19,000. M. Gomes noted the board should keep records of the bids' receipt dates.

J. Huk stated that key point is to choose someone quickly and the suggestion is to form a subcommittee to review the proposals and return to the board with a recommendation.

Motion to form a subcommittee to review the bids and made a recommendation for a new town auditor: J. Dowdell/J. Levine; All aye.

J. Huk asked for volunteers to be on this subcommittee with the hope a recommendation can be made by the end of May. J. Levine, R. Doiron, and J. Dowdell volunteered to form a committee of three.

J. Levine has professional experience with two of the auditors, and has found them to be excellent, detailed, tough, well-respected and very knowledgeable.

Motion to include J. Levine, J. Dowdell and R. Doiron as members of the subcommittee to review the RFP for Town Auditor: Huk/Levine; All aye.

J. Levine recommended a Special Meeting of the Board of Finance to recommend a town auditor: Tuesday, May 28th. The recommendation is that the subcommittee would meet at 6:00 PM for interviews with the candidates from 6:00 to 7:30 PM, in 15 minute interview blocks. Any other board members interested in attending the interviews may do so. Then, a Special Board of Finance meeting will be held at 7:30 PM to discuss and recommend the auditor to the full board. The conference room is available and J. Dowdell will book the room.

J. Levine will email the board on the proposed agenda/schedule for the evening of interviews – short presentations by auditors and questions and answers. The subcommittee will call references. J. Levine will ask auditors to be prepared to stay for questions which may arise. The agenda for the Special meeting on Tuesday, May 28th will be discussion and possible selection on the appointment of Town Auditor. At end of tonight's meeting, each subcommittee member will receive copies of the bids for review.

3. Approval of Minutes – April 9, April 23 and May 1

Motion to accept the April 9, 2013 regular monthly meeting minutes, Levine/Doiron; all aye.

Motion to accept the April 23, 2013 joint budget workshop minutes, Doiron/Levine; all aye.

Motion to accept the May 1, 2013 joint budget workshop minutes: Dowdell/Doiron; all aye.

4. Comments from the Public –

None.

5. Treasurer's Report – from Mike Krenesky

Reports were distributed to members for review. No questions at this time.

6. Tax Collector's Report – from Ursula Henry

Reports were distributed to members for review. C. Bielik noted the Tax Collector's report was not available at the Board of Selectmen's meeting last night. J. Huk noted the report just arrived. No questions at this time.

7. Town Clerk's Report – from Len Greene, Sr.

Reports were distributed to members for review.

M. Gomes asked if there was a list of transfers to expense included in the report, as this is usually done in May. M. Gomes will review, so list can be done in June. No questions at this time.

8. Finance Manager's Report – from Manny Gomes

Reports were distributed to members for review.

M. Gomes noted that he is in the process of creating a report to determine the fund balance projection, using recent tax collection data and revenue, and the report will be distributed next week.

J. Huk noted for the record that through 10 months, the Wastewater Treatment Plant has spent 56% of its allocated budget.

J. Levine had a question about the 30+ negative line item balances in the budget. With the current system of purchase orders and approvals in place, how are line items overspent. M. Gomes noted that he does not approve expenditures or purchase orders. J. Levine believes that it is a serious problem because our town officials are signing checks without knowing if the money is budgeted or if line items have exceeded their budget. He views this as a major problem that checks are being signed, before transfers are approved.

R. Doiron noted that the BOF meets only once a month and there are times when the monies are needed in a timely manner. J. Levine noted that in an emergency, such as a snow storm, this is understandable. However, every month there have been line items over budget. J. Levine noted that the BOF is controlling the budget and overspending line items needs to be controlled.

M. Gomes noted that the number of line items in the red has decreased significantly over the past 5 years. J. Huk asked why the Town Council retainer line item went over budget. M. Gomes explained that it is based on usage.

M. Gomes explained that this is a two phase issue with the first issue being software. Software is needed which will red flag a Purchase Order when the PO is over budget. The second issue is that the department heads are given their line item balances every month, so they do not overspend.

J. Levine noted that we are relying on department heads to control their budgets. Since budget transfers can only be done by BOS/BOF approval, we need to work together to fix this.

M. Bronn asked if new software can fix this system. Software can flag overspending, but M. Gomes noted that at times, the money is spent before a PO is issued or the purchase reaches the accounting system.

J. Levine noted that a culture change is needed, so that people understand the system. He noted that the Fire Department recently spent \$5,000 for a new floor, that has already been done and there was no Purchase Order issued. There was no budget for the floor and they went ahead without any approval.

J. Huk noted that controls must be in place and people must understand the controls and the consequences. M. Gomes noted that in the past when expenditures have been frozen, departments have continued to spend.

J. Levine stated that the Finance Manager is responsible for making sure that things are not processed which go over budget. J. Levine noted that M. Gomes has had a crappy financial reporting system in the past, but in the future, we need to ensure that checks going to the Selectmen are budgeted expenses.

M. Gomes noted that he is not approving the expenditures or signing the Purchase Orders. Overages in salary are an example of items not in his control. Items under \$200 do not get a Purchase Order and they account for overages. J. Levine stated that the BOF controls the budget and they are negligent if they allow overspending to continue.

M. Krenesky, Town Treasurer, countersigns checks which have been signed by 2 members of the BOS. As long as there is money in the General Fund, he will sign the checks. He can only refuse when there is no money in the town account. M. Krenesky noted this has been an issue with several departments which has been going on for a long time.

J. Levine noted the need for a change through a better financial reporting system and giving the Finance Manager the responsibility.

J. Huk asked if the system is accurate and M. Gomes stated that it is better than it has ever been. The issue is when work is done, monies are spent, or purchases are made before the Finance Department is made aware of the spending.

J. Dowdell asked how often this happens. M. Gomes noted that some departments are very good, others are not, and he will get the answer.

J. Huk noted there are 2 parts to the problem: the need for controls and how do you enforce these controls.

J. Levine reaffirmed the BOF is the only authority in town that is authorized to make budget transfers. Regardless of what has happened in the past, the BOF can tell the BOS that we will no longer approve any budget transfers that come after the fact, unless there is a compelling reason for it.

M. Bronn asked what happens to the vendor that has already provided the product or service. Discussion continued surrounding potential changes to the process: how to inform vendors of the correct system, how to enforce the protocol with town departments, and how to control the Purchase Order process.

M. Bronn noted that many of the overage items are not PO items, such as payroll and utilities. Solutions were discussed on how to handle encumbering monies for utilities and wages.

M. Gomes noted that POs are not issued when it brings a line item over budget, and the culture right now is that the Finance Department advises the BOS and BOF each month of line items which will be over budget. Every month the overages are explained.

J. Huk noted that process will not be fixed today and asked if the BOF should be determining the new process. J. Levine explained that the BOF needs get a message to the BOS that that process needs to change and the BOS and BOF need to work together to solve the problem. Discussion was tabled and the board agreed to schedule a meeting in July to discuss a solution further.

J. Huk asked if the BOF can receive a list of every expense by month, showing decreasing amounts, so there is visibility in this process. This reporting would add visibility to the controls put in place.

9. First Selectman Report - Selectman C. Bielik

Selectman C. Bielik offered the First Selectman's apologies for not being present. Last night, the RFP bids for new financial reporting software were opened at the BOS meeting. The town received 3 responses:

Edmonds & Associates	\$62,000 + \$9,700 annual maintenance fee
Information Marketing Group	\$11,500 + \$4,500 annual maintenance fee
Harris Computers	\$33,985 + \$2,670 annual maintenance fee

Selectman Bielik intended to hand over the bids for review by the BOF for their recommendation. J. Huk stated that it was his understanding that the process was being handled by the Board of Selectman's Office, and that the BOF is not in the business of choosing software.

M. Gomes noted that J. Levine had made a recommendation on the software. J. Levine explained that the recommendation was made before the bids were properly reviewed and

vetted, so the process was rebid. J. Levine believes that the BOS should review the bids with Financial Manager and a recommendation should be made to the BOF.

C. Bielik noted that last year's bond which went to referendum had money allocated for this software. The process was ground to a halt by the BOF, and the BOS would have purchased the software a year ago except for the actions of the BOF. The BOS is now looking for a recommendation from the BOF on the purchase of the software before they move forward.

J. Huk does not recall the BOF telling anyone not to purchase the software and the BOF had very little information provided to them on the process. The process was not made clear to the BOF and it is not the BOF's line item on the budget.

Regarding the history of the project, J. Levine made the recommendation that we bid this process and put together the RFP. Discussion continued on the delays to the process.

J. Huk said we are here now and a decision needs to be made. C. Bielik noted that the BOS operated with the understanding that the BOS were opening the bids and sending them onto the BOF for review. J. Huk asked who is the most qualified group or individual to make the selection. B. Doiron agreed the BOS needs to make a recommendation to the BOF. C. Bielik returned the RFPs to the First Selectman's Office.

a. Transfers:

Parks & Recreation has requested 3 Transfers, all from 1 line item:

From:	1071-1019	Wages – Seasonal,	which has \$1,710 remaining.
To:	1071-1550	Tools & Equipment	\$ 300
	1071-1845	Settling Pond Maintenance	\$1,000
	1071-1850	Building Maintenance	\$ 410

The BOS did not have further information on the transfers, but they felt the dollar numbers were low enough to send onto the BOF for action. J. Huk asked about Settling Pond Maintenance expenses.

Motion to approve all 3 transfers: Levine/Doiron

Discussion: J. Dowdell has issue with the movement of line items for Parks & Recreation every year at year-end. B. Doiron questioned whether these monies have been spent to date. J. Huk asked if monies are being moved so more can be spent, or if monies are being moved to prevent overages.

C. Bielik noted that the state statutes give the department control over their entire budget. J. Levine respectfully disagreed because itemized budget is approved by the public and the BOF is only this board that has the authority to make the transfers. M. Krenesky noted that the town has a legal opinion; supporting the stance that each department has a lump sum of money which represents the total dollar amount that they can spend.

J. Dowdell stated that in his first year on the board, Parks & Recreation wanted line item transfers to buy a \$40,000 lawn mower. J. Huk noted that this is an important point as we approach the end of the budget year and more transfers are requested. J. Levine stated that the BOF has authority to transfer line items, but the BOS has the authority to stop

expenses and stop payment. Selectman C. Bielik stated the BOS voted unanimously to send the transfers to the BOF for their action. J. Huk asked for more information on the transfers.

Vote: Aye. - None

Nay – M. Bronn, B. Doiron, J. Dowdell, J. Huk, J. Levine

Motion does not carry.

J. Huk asked that Parks & Recreation provide more information on these transfers for next month. B. Doiron asked if the expenditures had taken place yet.

10. Unfinished Business

None.

11. New Business

None.

12. Correspondence

Letter from Helen Mis, Registrar of Voters, supporting the notion that they cannot have an increase in salary for the Registrar. The letter states you cannot increase the rate of pay of any elected official during their term in office. The exception is if the term of office is 4 years, there can be one pay increase after 2 years.

Letter from Michael Zemaitis, CPA stating that he will not bid on the RFP for town auditor. This should be noted on the RFP list.

13. Comments from the Public

None.

14. Adjournment

The next regular monthly meeting will be Tuesday, June 11, 2013 at 7:30 PM.

Motion to adjourn the meeting at 8:56 PM: Doiron/Bronn; all aye.

Respectfully submitted,

Erin Schwarz
Relief Clerk for the Board of Finance