

Saugus Board of Selectmen  
June 5, 2012

\*\*\*\*\* MEETING MINUTES \*\*\*\*\*

AGENDA  
Saugus Board of Selectmen  
June 5, 2012 at 7:30PM  
Town Hall Auditorium  
298 Central Street

- 1.) Audit Report.
- 2.) Manager's update.

The Saugus Board of Selectmen met on June 5, 2012 at 7:30PM in the Town Hall Auditorium, 298 Central Street. Present: Selectmen Stephen Castinetti, Stephen Horlick, Julie Mitchell, and the Chairman Michael Serino. Absent: Debra Panetta. The Town Manager Scott Crabtree was also present.

The Chair said Ms. Panetta could not attend this evening and this was the only evening the auditor was available.

1.) Audit Report.

Jim Powers, Powers & Sullivan Auditors, LLC was present to discuss part II of the auditing report and thanked Town Hall for their cooperation and said as an update that a lot of positive changes have been made, but still have a lot to do and said they have updated the ledgers and have begun the FY12 audit because the DOR wanted that done as quickly as possible. Mr. Powers said the second part of the audit deals with payroll and found various degrees of violations and explained labor counsel will need to advise best solutions to get out of bad practices. The Manager said it is complex to try to stop practices. The Chair said they need to address each individually. Mr. Powers said he found serious irregularities in FY12 and some practices go back several years. The Manager said some stipends were given for taking on additional duties or hours where there should have been a demand for bargaining and they found grievances filed and settled without arbitration. The Chair asked if it was used purposefully for giving raises. Mr. Powers said in at least one of the cases and explained the Charter allows the Manager to set employee compensation; however it must be done through collective bargaining agreement or contract. Ms. Mitchell asked if a grievance is filed for the purpose of getting a raise is it only the Town Manager that signs off. Mr. Powers said he found sometimes it was verbal and sometimes by memo. The Manager said some cases involved the union and other cases did not and that practice is in violation. Ms. Mitchell asked if the Town Manager was the only one that would sign off on the change. Mr. Powers said there's a process. Mr. Powers said he also found regular payroll charged to various places and some contracts were changed with no new signature, just a page replaced and saw employees paid as 1099 vendors and said all compensation should be on a W-2. The Chair asked if the Town could be held liable for taxes not being withheld. Mr. Powers explained if they filed taxes there may be a minor penalty and there was instruction not to file 1099 report on a couple of them. Mr. Powers said he also saw wages upgraded and wages charged to overtime accounts and at the end of year there would be a deficit and a journal entry would be made to cover it. Mr. Castinetti asked if journal entries are obscure and not easily detected. Mr. Powers said they are and said it's a way to cover up financial fraud. The Manager said this was brought up during Part I of the audit and the Finance Committee asked if the Town's auditing firm should have detected and said the firm should have done some testing or looked at year end entries. Mr. Powers said out of \$200,000 questionable transactions he found \$165,000 questionable costs. The Manager said reoccurring costs. Mr. Powers said there's an Article for the purchase of new software. The Manager said he has "exception reports" that show any changes. The Chair said hopefully it will be authorized to borrow to purchase the software and once it's in place it may stop future Town Managers from doing such things. The Manager said not just the manager, others also. Mr. Powers said if there's collusion there's a high probability it won't be uncovered. The Manager said he has begun training department heads to understand and be responsible for their budgets. The Chair said there's been a lot of discussion on who knew what and said he doesn't think anyone could have known what was really going on. Mr. Powers said there were internal controls and people were aware and allowed it to happen but there's a different tone from the top now that says it's not ok. Ms. Mitchell asked

if the stipends granted stay in place. Mr. Powers said they need labor counsel to advise them. Mr. Horlick asked during the interview process if anyone indicated at any time that the Selectmen or Finance Committee or Town Meeting knew. Mr. Powers said no. Mr. Horlick said it was found the first day the temporary town manager found information. Mr. Powers said most were processed properly and said he didn't look at the schools but did not appear to be a problem. Mr. Castinetti said the perception in Town is an abuse of power and are concerned with the overall state of affairs. Mr. Powers said most processed appear to be proper and said revenues are all posted properly. The Manager said feedback from employees is they feel they will be paid more fairly now. Mr. Castinetti asked when Part III of the audit will be done. Mr. Powers said it's a ways off and said it doesn't affect the budget and they are assisting the Town in getting the budget squared away and the annual audit and budget took priority. Mr. Castinetti said it has been 3 months. Mr. Powers explained the audit was expanded. The Manager said he spoke with DOR today and they are requiring a municipal relief transfer to make employee adjustments and they want the Board and Finance Committee to vote them. Mr. Powers explained the findings will create deficits and the Selectmen, Finance Committee and the public should have it on record of what occurred and everyone is aware. The Manager said he would like to get a vote at next Selectmen's meeting. The Chair asked if it is greater than 3% of the budget. The Manager said no and if it is it will be addressed under Article 3 and said he attended a seminar that recommends the budget be voted in groups and to use a detailed budget for understanding, but only vote on salaries and expenses. The Chair asked about the date of hire issue in the report. The Manager said they addressed it by using the date they paid into the retirement system.

Al DiNardo, TMMP4, asked about stipends going on for years. Mr. Powers said yes and did not just occur in 2012. Mr. DiNardo asked why employees got them. Mr. Powers said he doesn't know the reasons and said some he did see extra duties but others had no explanation.

Peter Manoogian, TMMP10, said he is sensitive to the need to reform practices, and he's hearing that the DOR wants Town Meeting to approve just expenses and we do and said if you look at the vote, they only vote salary and expenses and do not vote each line. Mr. Powers said line items should be detailed for supporting information but Town Meeting should only vote expenses and salaries. The Manager said this meeting is on the audit report and they can discuss that at a later time. Mr. Manoogian read the powers of the Town Manager from the Town Charter and said the concern is the practices not the authority. The Manager said it is difficult with how Town Meeting votes the budget and suggested there segregated accounts. Mr. Manoogian said that is the way Town Meeting votes it and regarding the audit findings asked how to respond to the findings and recommendations to help restore public trust. Mr. Powers said management should publicly state corrective action plan and that will be evaluated at next year's audit. The Manager said he has already started a list of corrective actions he has taken and is working on putting a written plan in place. Mr. Manoogian said at some point the public needs to see a plan on how we get out of this. The Chair said he thinks the Manager and the Board respond well to people and they are happy with the actions so far. The Manager said he explains it weekly at Finance Committee and at the Selectmen meetings and said one other communication method is possibly having a cable show.

Chris Peatridge, Harrison Avenue, asked the amount of auditors working on this. Mr. Powers said 3. Mr. Peatridge asked currently how much has been expended to this point. Mr. Powers said over \$50,000. Mr. Peatridge asked estimated total cost. Mr. Powers said around \$70,000. The Chair said the Board went into this well aware of the cost and it's worth it to straighten out a 9 year mess.

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2.) Manager's update.

The Manager requested a Special Town Meeting within the Annual to address the Police Superior Officers and submitted Article. The Chair asked cost. The Manager said \$100,000 range.

Mr. Horlick moved the Board vote to call a Special Town Meeting on June 25, 2012. Chair seconds. Vote: 4-0.

Mr. Horlick moved the Board vote to insert the Article into the Special Town Meeting Warrant. Chair seconds. Vote: 4-0.

Mr. Horlick moved to close the Special Town Meeting Warrant. Chair seconds. Vote: 4-0.

The Manager said he submitted a document for discussion and said if the Board is in agreement he would like the Board to vote to adopt the guiding principles and said it would be helpful in prioritizing while building the budget and read and said he would like guidelines and direction from the Board. The Chair said he has discussed priorities and said the items in the 5<sup>th</sup> category "Quality of Life" (Youth & Rec.; Library; Senior Center; etc.) he is not willing to eliminate he will agree to cuts but not eliminated. The Manager said they need to have this discussion. The Chair said Ms. Panetta is not here and doesn't want to adopt until they have a full Board. Mr. Castinetti said this is a good start and they can discuss it on Tuesday. The Board discussed time frame for budget. The Chair said he has no problem adopting them in principle and set a meeting Monday at 5PM.

Mr. Horlick moved to adopt the Town of Saugus Guiding Principles as presented by the Manager as preliminary guidelines and for final adoption on June 12<sup>th</sup>. Chair seconds. Vote: 4-0.

The Manager said he is looking for a vote on the audit report.

Mr. Castinetti moved to adopt the findings of the audit report and for the Manager to take any necessary corrective actions. Chair seconds. Vote: 4-0.

Ms. Mitchell moved to adjourn. Chair seconds. Vote: 4-0.

Meeting adjourned at 9:26PM.

Respectfully submitted,  
Wendy Reed, Clerk