

Saugus Board of Selectmen  
July 31, 2012

\*\*\*\*\*Meeting Minutes\*\*\*\*\*

AGENDA  
Saugus Board of Selectmen  
7:30 PM July 31, 2012  
Town Hall Auditorium  
298 Central Street

Powers & Sullivan:     Audit Report

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The Saugus Board of Selectmen met on July 31, 2012 at 7:30PM in the Town Hall Auditorium, 298 Central Street. Present were: Selectmen Stephen Horlick, Julie Mitchell, Debra Panetta and the Chairman Michael Serino. Absent: Stephen Castinetti. The Town Manager Scott Crabtree was also present.

Powers & Sullivan: Audit Report

Jim Powers, Powers & Sullivan was present and read the 3<sup>rd</sup> and final audit report on procurement highlighting that the Town Manager is the chief procurement officer and normally would have a purchasing assistant. Mr. Powers outlined findings of significant financial violations of laws and regulations and intentional cover up.

Ms. Panetta said the first audit report was on water & sewer and the miscalculations means the Town increased rates too much, and said the second report found people being paid out of non-salary accounts which means the Town laid off people to try to balance the budget and said they've heard about intimidation and the third audit on page 3 (read) *"We found procurements that were completed in compliance with municipal procurement laws, rules and regulations. However, we have also found that there were numerous instances, providing clear evidence to support the fact that there were significant violations of municipal procurement laws, rules and regulations for many other transactions tested. Our findings lead us to believe that there was a systematic, knowledgeable and intentional violation of the municipal procurement laws, rules, regulations, town policies and procedures. These actions have led to misleading and fraudulent accounting of the actual nature of the financials and transactions for the period under review"* Ms. Panetta said she knows the manager has taken steps to alleviate issues and asked if there are any ramifications and asked what we can do. The Manager said the Dept. of Revenue recommended an audit and mandated a report be issued to them along with a list of other requirements and said since the audit we are moving forward and are in compliance and are rebuilding our relationship with DOR. Mr. Powers said regarding further action, the Board should speak with legal counsel.

Mr. Horlick said he wants to see financial statements and he couldn't in the past and he has been an advocate for doing work in-house and asked regarding the no-bid purchases of vehicles if they have any recourse. Mr. Powers said there were invoices, but no PO and usually quotes are first and explained they do not have the ability to audit services and explained they audit our records. Mr. Horlick said maybe they can get their money back and it should be sent to the IG and the right agencies and listed some work done that if we had the equipment we could do in-house. The Manager agreed and said the challenge is we don't have the resources but feels we will come out of this more productive and efficient and said DPW lost a third of its work force and it will be challenging and said it is frustrating for everybody. Mr. Horlick said the work still needs to get done. The Manager agreed and said we need long and short term planning. Mr. Horlick said the Board should send the findings to the right government agencies and if there is evidence bring to full prosecution. The Manager said he met today with rep. from the IG's Office and the FBI and they are looking into the matter and they are aware and have copy of reports. Mr. Horlick said he is appalled at what has gone on and wants to make a symbolic motion. The Manager said he met with them today and they are reviewing the materials.

Mr. Horlick moved the Board vote to send the findings to the appropriate agencies to review and possibly take action. Chair seconds. Vote: 4-0.

The Chair said he sees wasted money and when you look at the three reports they have basically the same findings and said DPW has been hit the hardest and it will be challenging to rebuild but he is sure we are moving in the right direction.

Ms. Mitchell thanked everyone that worked on this and is glad it is over and said she is disheartened, but there is nothing they can do to change it so we need to move forward and find solutions and build trust and said what's done is done so let's move on and do the right thing for the Town.

The Chair asked what could be done to prevent this happening again and asked if our structure of having an assistant purchasing agent is usual. Mr. Powers said most communities have an assistant purchasing agent but the chief procurement office is the person at the top and noted any employee along the way would have seen what was happening and said the Manager has talked about internal controls, policies and to monitor and said some communities hire an internal auditor.

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The Chair asked if there were any questions from the public.

Maureen Dever, TMMP3, said in the past we have seen management letters and asked if there would be one. Mr. Powers said this was a different kind of audit and they will see a management letter with the annual audit. Ms. Dever asked of the first audit if it needed to be reported. Mr. Powers said before his firm was engaged the DOR mandated steps to be taken and it was reported to them. The Manager they were directed to notify the IG's Office. Ms. Dever asked if there is any recourse from the previous auditors. Mr. Powers said he can't speak to that and they need to talk to legal counsel. The Manager said they needed to wait for the final audit and findings and he will look at different avenues.

Ms. Panetta said she asked at a previous meeting and it was explained that the Town Manager and Town Accountant signed off on the information given the auditors. Mr. Powers said the primary function is to audit and sometimes things happen where it's not detected. The Manager said the audit firm was here 8 years and you'd think they would see one and said they should have seen the ledger entries. Ms. Panetta said if a third of the payroll was incorrect and 551 procurements not done correctly, that the audit company would see something. Mr. Powers said he didn't review their work. The Manager said we need to educate and do it the right way. Mr. Horlick pointed out he brought transfers to the Board. The Manager said correct and said that is part of his goal toward financial transparency and build trust and financial stability.

Peter Manoogian, TMMP10, said he hopes they follow through reviewing and asked based on other communities how we rank. Mr. Powers said the report speaks for itself and exceeds what they would normally expect. Mr. Manoogian said he mentioned policies should be in place and asked what other communities have a policy. Mr. Powers listed some. Mr. Manoogian said it seems we are on the right track, but this could potentially happen with a Town Manager with so much power and said he agrees we should move forward and said he also hears that people feel violated and there has to be some kind of justice and commended the Board's actions and wondered if Town Meeting should also send letters and thanked the Board for having this forum.

Mr. Horlick asked about salvage vehicles. The Manager said they are covered if in an accident. Ms. Panetta asked how many we have. The Manager said 5 and noted they are safe they still need to be inspected. Ms. Panetta thanked the Manager, Mr. Powers, Wendy (Hatch) and everyone involved and thanked the Board for voting for the audit and said we need to continue to put checks and balances in place so we can bring back the confidence. Mr. Horlick said there are a lot of good things going on in Town.

Al DiNardo, TMMP4, thanked the Board and the Manager and said Saugus is moving in the right direction and said we need to move on and also he thinks things need to be settled and said fraud has been committed in the way we choose to govern ourselves and treat each other and hopes he never sees that again and said he feels bad for the employees and said we need to move forward but also need justice.

Ms. Panetta moved to accept the report and adopt the findings. Chair seconds. Vote: 4-0.

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

Meeting adjourned at 9:40PM.

Respectfully submitted,

Wendy Reed, Clerk