

**TOWN OF WINCHENDON
JOINT MEETING MINUTES
BOARD OF SELECTMEN / AUDIT COMMITTEE / SCHOOL COMMITTEE / FINANCE COMMITTEE
THURSDAY, FEBRUARY 29, 2016
Town Hall, 2nd Floor Auditorium
109 Front Street, Winchendon, Mass.**

Selectmen Present:

Michael Barbaro, Chairman
Barbara Anderson, Vice-Chair
Austin Cyganiewicz
Amy Salter
Absent: Audrey LaBrie

Keith Hickey, Town Manager
Linda Daigle, Executive Assistant
Donna Allard, Town Accountant
Donna Spellman, Treasurer/Collector
Debra Dennis, Recording Secretary

Present School Committee Members:

Dawn Harris, Chairwoman
Danielle Hart
Janet Corbosiero
Greg Vine
Larry Murphy

Steven Haddad, Supt. of Schools
Mark Chapulis, School Business Office
Barrie Martins, Recording Secretary

Present Finance Committee Members:

Thomas Kane, Chairman
Robert Guenther, Vice-Chair
Ulysse Maillet
Cindy Leroy
Maureen Ward
James Robichaud

Present Audit Committee Members:

Ulysse Maillet, Chairman
Amy Salter
Danielle Hart
Roger Doucet

Special Guest: Tony Roselli, CPA, Roselli, Clark & Associates
Eric Kinsherf, CPA

List of Documents Presented at Meeting:

- FY15 Management Letter (attached)
- Winchendon Cash Reconciliation Issues Summary FY2015 by Eric A. Kinsherf, CPA (filed) Schedule (filed)

The Joint Meeting was called to order by each Chairman at 7:05 p.m. All stood for the Pledge of Allegiance to the Flag of the United States of America. The meeting aired live on local cable access channel 8.

Announce audio/video recording disclosure: No one announced they would be recording the meeting this evening.

Ulysse Maillet welcomed everyone and said we are here tonight to get a sense of what our weaknesses are. He said the Audit Committee met with Mr. Tony Roselli from Roselli, Clark & Associates. The Town Treasurer and Town Accountant reviewed the concerns and feedback was received from them.

He said there were two areas to focus on and they are ongoing improvements and long term solutions. He said the auditors have identified the seven actions.

1. Monthly balancing between the Accountant and Treasurer
2. Cooperation between the school and the town
3. Better service from Harper Payroll
4. School payroll in a timely fashion
5. Improve withholding postings
6. Improve betterment postings with Accountant and Treasurer
7. Financial Policy, Responsibility of Select Board and requirement of DOR

He said ongoing improvements identified special revenue accounts and water and sewer receivables. He said long term solutions will be to look at the Munis software program, payroll system, recycling system and annual abatement policies. He said he realizes under the first section, immediate action, a lot of these are already taken care of and there is not much more to do, but there are still improvements to do. He asked Mr. Hickey if he had anything to add.

Mr. Hickey said he hasn't had a chance to think about it and is not sure he agrees with the list and how it is perceived by him. He said he would like Mr. Roselli to do the presentation update since the Management letter was received by the Select Board. He introduced Mr. Eric Kinsherf who was hired by the town to provide assistance to the Accounting Department. He said Mr. Kinsherf can provide some validation as to what improvements have occurred. He can verify changes and address where we stand right now.

Mr. Maillet said next we will have Mr. Roselli go through the report. He said the Audit Committee members recognize these important areas and he feels they should work on them to provide a long term solution. He wants to make sure things are followed up on. He said he would follow up on every one of them.

Mr. Roselli said he was here a year ago this week. He said the town has done a full circle here. He was reflecting on what happened, how the town got where they were and where they are now. He said he looked at his notes from last year and he referred to this as a Twilight Zone episode where everyone was pointing fingers and no one was taking blame. He said he was not confident at that time. He questioned the close of FY15. He said the June 15th numbers were what he expected. He said one important thing is all financial people are in agreement that they had a role in this thing. He said we understand there are problems and understand they need to be fixed. He said you are accepting responsibility and doing something about this. He's had a number of conversations with many employees. He said he is very pleased with where the town is today and at where it is trending. He said talking to Mr. Kinsherf, he has

said all reconciliations are being done, problems are being solved. He said he expects June 2016 being better than June 2015.

He said there are significant findings and material weaknesses. He said if cash is not balanced it doesn't matter with the rest of the audit. He said last fiscal year it was not balanced, and these are the reasons why.

- -payroll conversion
- -insurance transition
- -Munis inefficient work around

Mr. Kinsharf said when he looked at cash, he knew payrolls were not being posted; usually cash reconciliations are by month. He said concerning payroll, there were two things,

- three months of payroll being posted all in one month
- payroll not being checked before putting in and posting wrong

He said he got a handle of actual payrolls and matched up to the general ledger. When payroll is posted, there are 3 different funds in play. He said all those payroll fund entries were misfiring in the general ledger. He said issues were addressed at town meeting. He said he has been working on doing cash reconciliations. He said the first couple of months were a bit tough but they are through reconciliations through January 31. He said January only took 5 to 10 minutes because things are going where they should. He said we have control of the cash.

He said one weakness he sees currently is the software system. He said he cannot get a good report to look at grant balances. He said the Town Accountant has to take information from the Munis system to get grant balances. He said this is one area to be improved. He said the Health Insurance Trust fund is being phased out. He said there are three funds so we will be looking at just two funds. He said the deficit borrowing will cover the Health Insurance Trust.

Mr. Maillet asked about the mix up with the self insured premiums. Mr. Kinsharf said the withholdings from employees were supposed to go to pay the premium based insurance which was messed up for one month when it was put into the wrong account.

Mr. Maillet asked about the Harpers payroll service. Mr. Kinsharf said at first the journal entries weren't coming through right but they are now. Mr. Vine asked about Harpers in connection with payroll, that over several months period there seems to be a problem with School Department payroll and Harpers but not a corresponding problem with the town's payroll in Harpers and asked why. Mr. Kinsharf said he found both payrolls needed adjustments. He said the difference between the town and the school is the town payroll is booked to the general ledger books. On the town side they created a journal entry from Harpers directly to Munis. He said the school didn't do that, and had to do it twice. They posted it into Harpers and then recreated the payroll into the Munis system. He said he would prefer to see it go through Harpers payroll and see one entry. He also said three months of payroll was put into Munis and posted in one day. He said that is the distinction between the two. Mr. Vine asked why it was done that way. Mr. Kinsharf said he thinks that Harpers and the school could have created the report to input into the general

ledger but obviously the school thought it was easier that way. He said it is now smooth for both the school and the town.

Mr. Mark Chapulis, the School Business Manager, said at that point they didn't have general ledger accounts set up. They were learning on the fly as they went. He said any postings they did, with a split year, once you go to Harpers there is just an account and dollar figure. They wanted to post in Munis, give names and people to check against Harpers, and they had the same values. He said they are all set now.

Dr. Maureen Ward asked if one of the weaknesses was the software system. Mr. Kinsharf said Munis itself is the problem. He said it is not configured correctly. He said the Town Accountant is working on it now. He said we need to upgrade to the new version. Ms. Allard was asked for an estimated timeline of the update. Ms. Allard said that we finished the integrity review several weeks ago. She said we need to create a new chart of accounts. Dr. Ward asked if it would be complete by July 1st. Ms. Allard said she can't give the timeline. She said Munis was never set up properly.

Mr. Robichaud asked about withholdings, were they Munis created or just posted to the wrong accounts. Mr. Kinsharf said when it was converted to Harpers it wasn't hitting the accounts right. The Munis table was set up the correct way. He said it was when they were converted to Harpers they weren't hitting correctly.

Selectman Cyganiewicz asked how confident we are the upgrade with Munis will make the process more efficient. Mr. Kinsharf said he doesn't know why you have to upgrade to the next level. He said you create a chart of accounts and on June 30th you close the books and then do a new starting entry. He is not qualified to comment on it because he is not a software expert.

Mr. Hickey said \$60,000 was appropriated to facilitate the upgrades. He said at some point you have to upgrade to a more current Munis to get the support you need. Chairman Barbaro said in theory it should run smoothly because it will run properly and staff will be trained. Mr. Hickey said absolutely and that is probably the logic behind it as he mentioned.

Mr. Kane said he has heard about software issues with Munis and they need to be solved as soon as possible. Mr. Kane said the Accounting office is short handed and we need to figure out how to get additional human resources in here to get over this hump. He said we need human capital not just financial resources. Mr. Murphy asked if in the sixty thousand for upgrades can it be used to get human capital to support the Town Accountant. Mr. Hickey said his understanding is the cost to upgrade from our version to the most recent was the sixty thousand. Mr. Murphy said part of the money we pay helped with support, transition and training and he is not sure why it couldn't be used. Ms. Allard said when they first started they looked at cost which included upgrade and support. She said at the time Mr. Roselli said it might cost you around \$60,000. Munis hasn't given us a price so we don't know what this entails. We don't have a number yet but we have been working on what version to upgrade to. Mr. Murphy asked what is the estimated time on what version is used and what is the cost. He said it would be prudent to expedite the process to not lose that money. Ms. Allard said the money was appropriated in an article and we won't lose it and would like to have the system cleaned up before that. Mr. Roselli said in terms of a Munis upgrade those numbers might have come from the Town Manager. Mr. Roselli said at this time

you need to look at the cost estimate. He said you need to call Munis, and see what the module will cost. Mr. Hickey said he will reach out to Munis and get a sense from them of what version is recommended by them and the cost. Mr. Robichaud mentioned the DOR report that Munis offered service for 50%. Ms. Allard said all of the services provided so far has been free of charge.

Mr. Roselli said we covered payroll and operating systems. On page 8 of the report, water and sewer receivables were out of balance. He said there is a broken link in the system that has been fixed and should be happening automatically. Ms. Allard said once the bridge is in place it will be automatic but she is now doing it easily manually.

Mr. Roselli said next is the tax collection process. He said the town needs to decide how we attack this, leave it alone, use the normal process or step out of the box, with 60 other communities. He said you assess the tax; you bill it, 98% is collected and 2% is delinquent. The next step is the Tax Collector sends out a demand letter and if there is no response it goes to tax title and tax foreclosure. He said you can have a third party take them, write a check for the principal and interest and pay the tax bill. He said this was supposed to be done, but it hasn't been done.

Mr. Maillet said if we are going to be able to get a hold on this we need to beef up the Treasurer's office. He said we need enough personnel to track these. He said it is time we do something to help this department out. He said going to tax court is very expensive.

Mr. Guenther asked about it not being implemented and who is responsible. Mr. Roselli said the Treasurer/Collector. He said it's difficult because you have taxpayers that are in a different situation. He said you do it in a group. Ms. Spellman said our tax attorney feels we can do an auction before June 30th. Dr. Ward asked how much money is owed in back taxes. Mr. Roselli replied \$1.2 million.

Mr. Roselli said the next topic is Title 5 receivables. We had the same issue as retiree health insurance withholdings. He said it is a smaller amount and it will be taken care of and is not a problem.

Mr. Roselli said the next topic is retirement withholdings. The method for collecting is resulting in strange balances. He said a lot of these retirees are on a fixed income, so there may be a deficit for 30 days and Ms. Spellman wants to stick with the way its being done and he concurs.

Mr. Roselli said the next topic is special revenue funds. It has been worked on the past couple of years. He said with Munis you didn't really know until you put it in excel. He said he started noticing these accounts don't have any activities. He said he brought it to the attention of the Town Accountant. He said it's an ongoing process, so many accountants are working on them.

He said the ambulance receivables are getting higher each year with no policy to do something. He said someone needs to look at them and maybe quarterly the Fire Chief needs to review and see which ones can be collected or write it off. Mr. Robichaud asked what the dollar figure is. Mr. Roselli said it is close to half a million. He said you need to have a written policy.

Mr. Roselli said the next topic is the Transfer Station which is operating at a deficit most of time. He said if you look at it closer, the rates are not high enough, the revenues are not being turned over, and it's a

high risk activity and needs to be looked at. He said as part of the FY16 audit we will take a look at that and see what's happening there free of charge. Mr. Robichaud said the amount of revenue generated is very sizable, but costs are too high. He said there was a slight surplus in 2015. Mr. Maillet feels we might need to increase the funding for it. He said if you raise the bag prices you will lose people. Look at it as a safety feature. Mr. Roselli said they will see what's happening with the audit. Mr. Maillet would like to address it as we get closer to town meeting. He said the audit would be done this summer but it could be done sooner if urgent.

Mr. Vine asked about what all this means in terms of fiscal health of the town. He wanted to know how comfortable we should feel walking out of here right now and are we going to see specific numbers to confirm what we are being told. Mr. Roselli said he has reported on the FY15 numbers as of four months ago.

Chairman Barbaro said as far as the Transfer Station goes it was set up as an enterprise account that is not supposed to be funded by the town's finances, it should be funded through users. He said the Town Manager is researching and trying to address it in the budget. Mr. Maillet said that's why he brought it up to talk about it.

Mr. Roselli said in the information sections on page 15 he would like to see a policy and procedure manual. He said it is a requirement and the town tries to follow DOR policies but would be good to get it in a manual. He would like to see a section addressing risk and also some sort of process for the Treasurer/Collector for some kind of reconciliation and check. He said he knows resources are short but it is something the town should consider.

Mr. Kane said he spoke with Mr. Hickey about financial policies and hoped they could be presented to the Board of Selectmen soon. He said it would be advantageous going to town meeting with this being addressed. Mr. Hickey said the draft financial policies were presented to him three weeks ago. He said he is trying to finish up the budget sometime in March or April and then he will look at them. He said the Finance Committee will then be invited to a Board of Selectmen meeting to get them in place as quickly as we can.

Mr. Roselli said that this is the end of his presentation.
Mr. Maillet thanked everyone.

Mr. Maillet said the Town Accountant is not returning after this fiscal year. He said we are going to lose our consistency. He said as a Selectman it only takes three people to correct this error. He said with a new person coming in its going to back us up for months. He asked the Select Board to reconsider for consistency. Mr. Kane reiterated what Mr. Maillet mentioned. He said we know what we have to do. He said we already don't have not enough people in place; we need to maintain consistency with personnel. He said this would benefit the town to do this.

Mr. Larry Murphy moved to adjourn the School Committee; Ms. Janet Corbosiero seconded. All ayes.

Selectwoman Anderson moved to adjourn the Board of Selectmen; Selectman Cyganiewicz seconded. All ayes.

Mr. Robert Guenther moved to adjourn the Finance Committee; Dr. Ward seconded. All ayes.

The joint meeting was adjourned at 8:32 p.m.

Respectfully submitted;

Debra Dennis
Recording Secretary