

Fire District #1 Prudential Committee

Open Session June 19, 2014

Call to order @ 7:00pm

Members present- Kevin Taugher, Ray Miner & Greg Sheehan

- Signing of the Warrants

Approval of the minutes

- GS- Motion to approve the minutes of the 5/13/2014 regular meeting as presented
- RM- 2ND
- UA

Review of the Auditor's Report

Tom Scanlon from Scanlon associates was present to discuss the auditor's report with the Prudential Committee. There were several bullets in the report that were of great concern to the Committee. In response to the auditor's findings:

Bullet one of the report said there was no balancing of the General Ledger for all of FY13. Monica Walton did not disagree but said they were attempted but not successfully. Tom Scanlon said this is not a common practice because it increases the risk of material misstatements, i.e. fraud. Although he did say that he believed that was happening in this case but instead more of a human error. Tom Scanlon said that detail testing had been completed. He also suggested some better checks in balances in place to make sure a process is followed.

Kevin Taugher had asked Tom Scanlon if he had done audits for the district in previous years and he said yes. KT then asked if this had ever been a problem before and Tom Scanlon responded "no". Tom agreed with KT that this doesn't happen every year and this was kind of a unique situation. Tom Scanlon said that a change of software may have contributed to some of the issues but not all. Tom Scanlon said that an improperly kept General Ledger is usually a big red flag to a bigger issue. Tom Scanlon suggested perhaps a quarterly report be prepared to keep the committee informed of the situation.

Tom Scanlon said that for a district audit of this size they budget 80-100hrs but in this scenario he felt they probably doubled that number. Tom Scanlon said the price for the audit was the same. KT asked if we could get a discount if we got it back to 80-100hr range.

The 2nd bullet had to do with balancing out receivables with expenditures as well as reconciliation with the town. As a check and balance Tom Scanlon suggested that Monica produce a quarterly revenue and expenditure report for the board.

The 3rd bullet had to do with keeping proper water records. Tom Scanlon said it's important to keep accurate records. He gave an example of surplus funds, if the water department had a record of a

million dollars in surplus but Monica on recorded 200k, then 200k would be all that they would have access to. Greg Sheehan asked Jennifer Fernandes the water department office manager if she also keeps a record and if there has been a time when she had an amount that differed from Monica's amount. She said yes and she had talked to the Superintendent and Monica about the discrepancy. Tom suggested a quarterly reconciliation with between the water department and the treasurer. Greg Sheehan asked what happened; he suggested that if it made the auditor's report there must have been something to send a red flag. GS asked if there was a particular event that prompted this finding. Tom Scanlon said that they had default to the water department's record for some of the numbers. GS asked what was the difference and Tom Scanlon said it was about 10k, then there were water tank cell service receivables where there was a difference of about 288k. He also stated that there was 100k that was voted to water stabilization that never got recorded in 2013, he said lost in translation.

4th Bullet Reconciliations not completed for ambulance receipts. Monica had recorded 1.081 million when the 3rd party vendor, Medi-Comps had 443k. Scanlon said the 3rd party billing reports were correct, they just weren't recorded properly. Monica claimed she had it all done in her excel sheets but not in the software. GS asked how these discrepancies can continue if after a month the numbers didn't add up. Tom Scanlon suggested that Monica may not have known how to read the reports and not knowing how to record in the General Ledger.

5th Bullet had to do with district meetings and voting on budgets. Tom Scanlon said that they had found some errors in those budgets. A lot of the errors had to do with the closing out of surpluses. He said that keeping these records will give us a better idea of the free cash number well before it ever gets certified. KT asked Tom Scanlon on average for a district of this size when should the treasurer be able to have that number available to the district. Tom said Sept 30th for certification. He said the treasurer should have a rough free cash estimate by the end of July. GS asked if February or March would be excessive for receiving the free cash number for the previous year. Tom Scanlon agreed that would be excessive. Discussion ensued around budget entries with the end result being that Tom Scanlon said because of the errors in the recordings of funds if Monica was hit by a bus the district would not have a processes or controls in place that would be accurate enough to keep things business as usual.

Tom Scanlon said he sat down with Monica to go over basic procedures for recording entries and suggested that the board be given a quarterly report as a control for accuracy.

GS asked if things were untangled, are the pieces of the puzzle back in order. Tom Scanlon said that Monica is asking more questions than she has in the past but won't know until he sits down with Monica in the next few weeks. GS asked if it was 100% up to date and correct and Tom Scanlon said not 100%. GS said he asked the question because Monica stated in response to KT question at annual district meeting that things were 100% up to date when she amended the motion to give herself a 3% raise.

Tom Scanlon said that if our free cash was not certified by October 1, 2014 then we have some real issues. GS asked if we get audited every year. Tom Scanlon said a district of our size should be audited every other year but given the current state of affairs we should remain on an annual audit for now because of the experience in FY13 we should have another one for FY14. GS suggested that the audit

should be an audit of what Monica is doing and not coming in to perform remedial accounting services, Tom Scanlon agreed. GS asked that if Tom Scanlon was doing things outside the scope of his audit that he keeps track of those hours and submit a bill for said services. Tom suggested one person keeping track of the ledger and one tracking the bank but understood the limitations of the district.

GS asked Tom Scanlon how much his firm would charge to handle the day to day tasks of running the district books what would they charge. Tom said on the accounting side to keep the ledger 15-17k. GS asked how much to handle the other end and Tom Scanlon responded whatever the treasurer is getting paid now minus the 17k for the accounting. GS noted there would still be a savings because of the cost shift associated with benefits like health insurance, retirement, group life and disability, sick time, vacation etc. to Scanlon and associates.

Scanlon mentioned changes in FASB are dictating that unfunded liabilities will have to start appearing in the financials, particularly in OPEB related costs. KT asked if this was a sink hole and Tom Scanlon agreed that just about every community has this issue. The liability associated with the entitlement is tremendous burden to communities.

KT asked that the report become a final report versus Draft. Tom said there is no reason why the draft cannot become labeled final.

Tom said he is available to Monica for reassurance that she is setting something up correctly but not to do the work. He said the problem and solution lies in balancing the banks and if you can't balance the bank you probably shouldn't be doing the job and that is the job of the Treasurer.

Treasurer's Report

Signing of 32b that is reported to the state that breaks down health insurance costs.

- GS- motion to sign the 32b report at the recommendation of the Treasurer
- RM-2nd
- UA

Discussion about the dental insurance provider to the district. Treasurer is recommending a change of provider because of billing issues with District 2, and other service issues like being a contact person on the account, or having a service person on the account to discuss issues that arise. Basic administrative issues. Monica took it upon herself to request proposals from other providers. She presented their quotes. Questions arose about comparable coverage, doctors and waiting periods. Monica stated that no one would be under a waiting period and that all the coverage's were very similar if not the same. The information presented had some holes in it. Too many issues for the committee to take to a vote that night. The topic was tabled until better information is provided.

Monica asked that the April 9, 2014 meeting minutes be amended to state that the Treasurer suggested paying the town clerk for election services through payroll and not a 1099. Previous minutes stated 1099 and not payroll.

- GS- Motion to amend 4/9/2014 meeting minutes as reflected above
- RM-2nd
- UA

Ambulance Director's Report

- GS- Motion to adjust ambulance receipts ending May 31, 2014 in the amount of \$59,861.26
- RM-2nd
- UA

It was decided to table the discussion about possibly changing billing services from Medi-Comps to Comstar. KT suggested asking Medi-Comps for a similar report that Comstar produced.

Chief's Report

Inspection report attached

Chief went through some extraordinary events for the past month

Generator project is done. Tighe and Bond submitted proposal for the roof project, Chief was not asking for a vote just wanted to present the proposal. Captain Schenker said that an asbestos inspection on the roof was done 3 times in the past and they should know if there is asbestos they should know. KT-suggested sending a letter asking for past info.

Chief had some issues to report on apparatus. The ladder 1 has some rust in various areas. Estimated repair costs associated with the rust issues at about \$7,600. It is something that will need to be addressed, the truck won't fall apart tomorrow but we need to be thinking ahead. Medic 2 needed to be towed from Northampton due to serpentine belt failure.

Chief is using August 1st as a target date for a rough update of the district policy handbook. KT suggested using red ink to identify what verbiage is being added or deleted.

Next Meeting August 28 @7pm

Emergency meeting date of 8/7 if needed

New Business

Scanlon audit engagement letter for \$7500 for FY13

- GS- Motion to sign the engagement letter from Scanlon and Associates for \$7500 for FY13
- RM-2nd
- UA

- GS-Motion to adjourn
- RM- 2nd
- UA

Meeting adjourned at 9:18pm

Respectfully submitted

A handwritten signature in black ink, appearing to read 'G. Sheehan', written over the typed name.

Greg Sheehan

Prudential Committee, Clerk