

**SHELTON BOARD OF EDUCATION
FINANCE COMMITTEE REGULAR MEETING
APRIL 20, 2016**

Chairman Win Oppel called the meeting to order at 5:04 PM.

Roll Call:

In Attendance: Win Oppel, Chairperson, via Skype, Arlene Liscinsky, Vice Chairperson, Faith Hack, Mark Holden, and Darlissa Ritter.

Excused: Tom Minotti and David Gioiello, Jr.

Also In Attendance: Board of Education Members Kathleen Yolish and Kate Kutash (arrived 5:05 PM), Dr. Chris Clouet-Superintendent, Dominic Barone-Director of Finance, John Calhoun-Supervisor of Facilities, Deborah Keller-Shelton Education Association President, and Judson Crawford-Shelton Senior Center Commission.

The Pledge of Allegiance was recited.

Approval of Agenda:

Faith Hack MOVED to approve the agenda, SECONDED by Mark Holden. A vote was taken with all in favor. Motion carried.

Approval of Minutes – Regular Meeting of March 16, 2016:

Faith Hack MOVED to approve the minutes of the March 16, 2016 meeting, SECONDED by Arlene Liscinsky. A vote was taken with all in favor. Darlissa Ritter commented that she was pleased with the reporting of the budget transfers. **Motion carried.**

Year-to-Date Object Summary (L2):

Salaries: Mr. Barone stated that the salaries are on track. The substitute line continues to be watched.

Benefits: A savings is expected with the medical insurance. Pension/Retirement/Post Employment should get close to the budget by the end of the year. Unemployment Compensation is tracking where he thought it would be at this time. Mr. Barone said it is expected the full amount will be spent on the Worker's Compensation audit entry. Some line items are over budget, and fund transfers will be proposed during New Business.

Tuition: The Private Special Ed account is being watched carefully. There is little control over this amount.

Vice Chairman Liscinsky stated that CES will meet to set their budget on April 29th. CES has held their tuition flat over the last seven years for Six-to-Six Magnet, RCA, etc., and she hopes that despite the funding uncertainty at the state level, the CES Finance Committee will continue that trend.

Transportation: Tracking the same as last month.

Special Ed Transportation: Currently over budget. This will be watched.

Administrative expenses (account 5533): We may see an increase for next year's budget. If the CEN (CT Education Network) is defunded, there may be additional costs of \$10,000 to \$15,000. CEN is used for internet access.

Heat and Utilities: A little over budget. Propane and Natural Gas are a little higher than expected.

Service Contracts: There will be a proposal to reset this item.

Building and Equipment Services: The Perry Hill account was created for repairs related to the closeout. No transactions have been processed against it yet.

BOE Support Services: There is capacity in Professional and Pupil Services. In Equipment, there's a negative balance of \$40,000 for some equipment that needed to be purchased.

Grants: Mr. Barone directed attention to Page 3 of the YTD Object Summary.

Grant 311 High Quality Schools/Core Tech: This is a new grant for this year and will be used for Chrome Books and Carts.

Several of the grants are two-year grants. The 500 accounts are in their second year and are fully expended with the exception of 530 Mentoring. The rest of the grant monies (400 series) are in Year 1 and will be used going forward.

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VRAE: There are accounts in our system that Valley Regional Adult Education uses. They purchase using our financial system and post their payroll through it. We are a pass-through agency and we fund part of their operations. VRAE is funded by multiple communities.

A brief discussion was held to clarify the uses for some of the grant monies and accounts under Other Funds.

Vice Chairman Liscinsky noted she attended a workshop that covered changes to how Titles I, II, and III are spent. Dr. Clouet provided additional clarification regarding the changes. Mr. Barone noted the grants are awarded and tracked at a higher level than the L2 objects. He added there are still three months to go with the June balloon payrolls to occur. Mr. Barone said he can add "(Year 1)" to the 400 series grants to clarify which year they are in.

Arlene Liscinsky MOVED to approve the 2015-2016 L2 through March, 2016, as discussed, SECONDED by Faith Hack. A vote was taken with all in favor. Motion carried.

Faith Hack MOVED to approve the Check Registers through March 31, 2016, SECONDED by Mark Holden. A vote was taken with all in favor. Motion carried.

Fiscal Year-end 2015 Audit Presentation – Clermont & Associates

Dominic Barone introduced David Cappoletti, partner of Clermont & Associates, to give the presentation on the audit. Prior to starting, all in the room introduced themselves to him. The presentation began at approximately 5:15 p.m.

Mr. Cappoletti said I'll give you a brief overview of what the audit is, and then I think the best way to do it is to ask me any questions as we go forth. Under the state law, we're required to audit the City of Shelton in four different ways. We do an audit of the financial statements in the full, and then you are also required to have something called the State Single Audit, which is to do a compliance and internal control audit over your state grants, and also we do a Federal Single Audit, which is to do a compliance and internal control audit over your federal grants. Now also as part of the state regulations, we're required to do a review of your ED001.

Dr. Clouet: And everybody knows what an ED001 is just to make sure that we're not using any language that's unfamiliar? I know that some people are very familiar with it.

Mr. Cappoletti: And then I'll just go through each individually. The Financial Audit is really for the City as a whole. What you would be more concerned with is really just one number, which is the Board of Education total expenditures. And then we also go through some of your non-major programs, or your special revenue funds, what you would call "educational grants", or "other funds". The general picture here is we go through your general budget fund report, and we go through your numbers. And when we're testing this with the Board of Education, we come here a couple times. We come here first of all to test the internal controls and make sure that everything's reported properly and that we can trust the systems. We never have a problem with that as far as the Board of Ed is concerned. And then we come back to do some test work and make sure that expenses are correct. We also go through and look at your bank reconciliations so that everything is reconciled properly and that controls are in place, and make sure everything's reviewed and approved properly. One thing that I do look at just for comparison purposes is your "budget actual", but that's not something we audit. And so we do look at your budget actual. I'm really only concerned about that one bottom number. You were approved a number, did you spend it, did you spend it appropriately? And then do you have internal controls and procedures so that you can be sure that number is being spent correctly. In the Federal Single Audit, one of the programs we always have to test is the IDEA Program. It's the largest one you have in the City, so that's one that we just happen to have to test every single year. We never have a problem with that.

On the State side we try to alternate programs as we come in and out. One of the things that we test is Adult Education. This year I think we tested a few more in the State section. I think we did the School Readiness Program, which is mostly just outsourced. Anything over \$200,000 we have to test at least every other year, not

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every three years. And then again, we've never had any problems with that. Under Yellow Book Internal Control and Reporting, we did have one finding with the communications area, where the money that was spent in the reserve for the medical, we'd like to see that communication between the City and the Board of Education before it's spent. We just didn't see that communication before. We heard back from the State. The State said they didn't have an issue with that as far as compliance and internal controls, and it was more of a recommendation. And if you were to reserve money, that the budget making authority on the City side should at least be aware. I've been auditing municipalities for twenty years now, so I make a list of recommendations, and I break it up into two different areas between the City and the Board of Education.

Dr. Clouet: This is the "Management Letter"?

Mr. Cappoletti: Yes, the Management Letter.

Mr. Barone: Can I hand it out? I've got just the Board of Ed piece of it.

Mr. Cappoletti: Yes, that's fine.

[Mr. Barone distributed a copy of the Management Letter to the attendees.]

Mr. Cappoletti: Now these are things, like I said, as I go through I have recommendations just for systems to run more properly. You're never going to have less than three findings from me. I usually try to use this as a way to make things better, so even when these are corrected, you're probably going to have three more. It's just how I do things.

Dr. Clouet: Is that similar on the City side?

Mr. Cappoletti: The City also had a list of findings. And then I also go through the internal service funds and find some areas. I reported five different areas on the City of Shelton side. One was the Adult Ed, which is actually the Board of Education and the City, but I don't know if you understand how this works right now.

Vice Chairman Liscinsky: It's a pass through, for the most part.

Mr. Cappoletti: Yes, but what it does is we've sent the money, the money goes from the City to the Board of Education. The Board of Education gives it to the Valley. The Valley district gives it back. It's a program that's grown, and if you remember I think it was in the mid-90s, when it really started growing. And now I'm saying, well let's take a look. Maybe the Board of Education controlled it, or maybe the City should control it, instead of both trying to be involved. We've also talked about maybe separating them completely. There are five towns involved, so, the idea of maybe separating each into its own entity so that it would just be a true pass through. Right now they are part of the City. That was just one recommendation. There was a lot of work being done for this program that probably could be simplified and also so that you could have a little bit more oversight.

Maintenance of proper general ledgers: This is something that the previous Finance Director did things in certain ways that worked for him but would not necessarily work for someone else. Dominic has inherited a general ledger that worked for Allan but it wasn't consistent for Boards of Educations.

Dr. Clouet: Is it outside standard accounting procedures?

Mr. Cappoletti: That's probably true.

Mr. Barone: I did audits for a long time, too. I have seen a lot of different cities, towns, and schools, and it's not uncommon for Boards of Educations to have what we call a unique way of managing a ledger versus the cities or the towns, depending on the government structure. So while we're working on this ledger comment, it's not uncommon at all.

Mr. Cappoletti: First of all, like I said, we come in we audit the expense. We want to make sure that expense is proper. And Allan was always able to get that expense proper. But now you have someone new in place who could manage a general ledger.

Vice Chairman Liscinsky: I know Allan tried to reconcile with the City on a monthly basis, and over time that reconciliation fell by the wayside.

Mr. Cappoletti: The City and the Board of Education used to be reconciled on a monthly basis. My recommendation over at the Board of Education side is to simplify the way you're doing things. Make your

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general ledger a true general ledger. If something doesn't reconcile, we can easily find it. It's kind of helping the City side out a little bit.

Mr. Barone: We reconcile it annually. I think monthly would be difficult because of timing issues.

Dr. Clouet: Is quarterly possible?

Mr. Barone: Quarterly would be a more realistic target, but at the end of the year, we have a reconciliation with the City that ties out. We have to break it out into three separate components because they track AP one way, they track payroll another way, and we've got an integrated system, and for health insurance/benefits, we use their Benefits spreadsheet.

Dr. Ritter: So if we're running on two different systems, is that a problem?

Mr. Cappoletti: It's not uncommon for municipalities and boards of education to run two different systems, but would it be easier to run on the same system? I don't know. What do you think?

Mr. Barone: I think what you would see is, we operate very differently than the City. I think there'd be a lot of give on one side or the other to shoehorn both into the same system.

Dr. Clouet: What does the City use?

Mr. Barone: They use a, I'd say an older system than ours.

Dr. Clouet: But not Munis, though?

Mr. Barone: No, they use an AS 400-based system, which is a little antiquated.

Chairman Oppel: David, from your point of view, these recommendations aren't horribly negative in the overall scope of an audit of the Board of Education, are they?

Mr. Cappoletti: So if they were negative, then I would report them in the Books and the Findings. So there were no Internal Control Findings. There was one I mentioned, but the other ones are not Internal Control Findings. These are more in the way of recommendations for better business practices.

Dr. Clouet: And along those lines, you've audited many school districts in your experience?

Mr. Cappoletti: Yes, I've been auditing for twenty years.

Dr. Clouet: So would you say that our practices are in the mainstream of school districts?

Mr. Cappoletti: I think they're very similar to your practices, yes.

Mrs. Yolish: But you said there is one.

Mr. Cappoletti: One finding was the communication between the Board of Education and the budget making authority.

Mrs. Hack: And how did you find that? How would you find that by looking through the books?

Mr. Cappoletti: This book?

Mrs. Hack: You said there was a communication situation. I want to know how you discovered that by auditing.

Mr. Cappoletti: Oh. How did I discover it?

Mrs. Hack: Yes, you just said that was a finding.

Mr. Cappoletti: It's in this book here.

Mrs. Yolish: Oh it's in that book.

Mrs. Hack: Are you talking about the residual funds?

Mr. Cappoletti: The residual funds. It's in the Yellow Book under the GAAP pages, Section 2 Financial Statements Findings. And so we've made an audit adjustment of \$150,000 to the Board of Education. The State Board of Education read the finding and reversed the finding.

Dr. Clouet to Mrs. Hack: But your question, I believe, is how did he come to discover this issue, right?

Mrs. Hack: Right.

Dr. Clouet: How is it he became aware of the issue of communication?

Mrs. Hack: And how has the issue been resolved?

Mrs. Yolish: Or how can it be resolved?

Mr. Cappoletti: I noticed when I was doing my final audit procedures to make sure everything was all set that we did find the \$150,000 transfer in December that I didn't recognize in the 6/30 documents. So when I looked back,

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because it wasn't in the minutes of the Board of Finance on the City side, that I would usually consider that to be somewhere in that.

Mrs. Hack: So it raised a question.

Mr. Cappoletti: Yes, it raised a question, so that's when I went back and checked the numbers.

Mrs. Hack: Has it been resolved?

Mr. Cappoletti: Yes. It's all resolved. So, the way that I fit it in, just so you know, is that there's a section that I think it started in 2011. What happened years ago was that Boards of Educations, when you had a single City, and not a regional school, it was very difficult for the education side to build up a surplus. So the state legislation passed statute 10.248A, and that allowed you to put aside a portion of your surplus with approval of the Board of Finance/Aldermen. And so, when I saw \$150,000 going into a City account, the question raised was, were the Board of Aldermen supposed to make that approval, or did the Board of Education have the ability to do it on its own? And the way that the state board saw this was that it was mentioned in a public meeting, it didn't go through the proper procedures, but it was clear enough that it wasn't for any other reason than for proper use. It's just a communication problem. Now there is the last finding, which was the residual funds of \$212,000 that was there and after the fiscal year, after my audit, it's gone. I was never clear on how that was defined. And so I always wanted the Board of Aldermen to go back to a public meeting and approve that to what they wanted it to be used for. And what we have now is an internal service fund that runs your medical program. But they never really transferred that money. So it's kind of sitting in there as part of the general fund, as money that was put aside that they could always reverse at a public meeting. And I guess this is the problem that I foresaw. Now that the money's gone, did they have the proper ability to do that?

Vice Chairman Liscinsky: My issue, and this is my own personal issue, is that if they knew they were going to take the money from the account, they should have made a motion to take that money out of that account, because was it Board of Ed money because it was in our budget?

Mr. Cappoletti: What I have to do in the 2016 audit is I'm going to have to go back and find an original agreement and try to read through it to see what it actually means. And I can't make a legal opinion on it, but I'll probably have some type of recommendation to say what happened. I don't even know the story because I haven't done that work yet, so I don't know what exactly, why or where it ended up.

Mrs. Yolish: So the money's in a general fund, then.

Mr. Cappoletti: So it was in a reserve fund. Now it's in a general fund.

Dr. Clouet: For how many years was that \$212,000 there?

Mr. Cappoletti: Since 2011.

Dr. Clouet: So you saw this year after year in your audit?

Mr. Cappoletti: Yes, and I always mentioned it.

BOE Chairman Holden: The City's Finance Director was the only authorized signer on the account, so we could put money in. We couldn't take money out.

Mr. Barone: Are any of these new comments for this year from the last two audit years?

Mr. Cappoletti: I'd have to go back and check, but I think we did have one on the bank reconciliation that's been removed this year.

Mr. Barone: So we're making a little headway?

Mr. Cappoletti: Yes.

Mrs. Hack: So it doesn't sound like we have really too much to make headway with. It sounds like everything's pretty much in order.

Mr. Cappoletti: Yes. Like I said, that was the only finding I've ever reported on the Board of Education side. The City side has had findings in the past. I think the numbers are there and are well supported. I think that the expenditures, everything you're reading from the finances, is very good. So what I'm trying to do now is look into the future to say what could be a possible problem. For example, if we look at your accounts right now, what's your cash balance?

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Mr. Barone: Do you mean in the balance sheet in Munis?

Mr. Cappoletti: Yes.

Mr. Barone: It's not a good number right now. We are in the process of getting the balance sheet operating. What we did over the last year was get a good cash control. We had a spreadsheet to track cash and reconciled it to the bank. We knew how much money went through Munis during the year, how many cleared checks, etc. The balance sheet in MUNIS has been running for 18 years, basically recording the checks but never recording the money coming in. So the goal this year is to get the second part of it which I think is the less important part. To me having good bank reconciliations is more important than recording the cash transfers coming in.

Mr. Cappoletti: Like I said, it's a morbid way to look at it, but I always tell people if you get in a car accident on the way in, and I have to go in there and take it over, and you say well what's my cash account, and it's \$133 million, and where do you start? So you know your system should always be set up so that someone could walk in and take over in a very easy manner. Now, is it hurting you today? No. These are all things I'm trying to say, drive carefully. Each one of these is a problem. The Residual Funds comment is always going to say, what happens when someone spends that \$212,000, which side is going to complain that you spent it wrong? Because it was never really defined on how it was supposed to be spent. That fund was originally set up mostly for the dental and now it's moved over to the medical program. And I say if it's not in writing, we don't know what it is.

BOE Chairman Holden: I don't know if I was on the board yet, but when we set it up, it was for both medical and dental in anticipation of being medically self-insured.

Mr. Cappoletti: In government, the City of Shelton will be here a lot longer than all of us, and so when things go on, and they do quickly over twenty years, and I go back to a town I've been in fifteen years ago and I say why is that number still there, that should have been gone eleven years ago, but it sits there. And then people say, what is that? So I didn't want money sitting into a cash account, going over a ten or fifteen year period, and someone says, well if you don't want it, we'll just spend it for this. So if it's in writing, it's in the minutes, someone could always look it up. And so that's what I always like. When the money was put in, and the Board of Aldermen originally didn't know about it, then they did have a discussion and they were okay about it. There were some documents signed, but I don't really know if it's truly defined. And like I said, now they reversed it and they said we want it out. That's just an example of what these are. These are potential problems sitting out there that maybe, if we clean up, could be easier.

Vice Chairman Liscinsky: We are very much aware of the \$212,000 because we had discussion with them. In fact, when we were going through the full-day Kindergarten scenario, if you remember, that was discussed, you know, ad nauseum, because they were even recommending that we take that \$212,000 and use it for full-day kindergarten. So they were very much aware that that money was there.

Mr. Cappoletti: Yes, they knew about it. The only thing is there was nothing in writing, no definition of what exactly it was. So in this finding this year, too, I went to the state statutes to say if they were going put this aside under what section, we can always look up that section to see exactly what it is. There's no criminal action, there's no litigation, no attorneys going back and forth, it's just that it grows mistrust between the Board of Education and the City.

Vice Chairman Liscinsky: A lot of Boards of Eds are self-insured. Are there premium ways that you recommend based on some other districts, how they handle it?

BOE Chairman Holden: We don't need to worry about it now.

Vice Chairman Liscinsky: No I know, obviously. But there might be a time when we create another.

Chairman Oppel: We can talk about the future when the future comes. Does anybody have any more questions for David?

Mr. Barone: I just want to comment on the Management Letter and say that I think these are good recommendations, and sometimes people feel they are taking shots or somebody's throwing darts at us. I think that where we get these recommendations, the goal is to start knocking them off if we agree with them. And we did knock off the cash reconciliation finding. I wish you would have brought last year's Management Letter to

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show them it fell off but that's all right. So we're going to work on cleaning these up, and if he comes up with new ones, we'll take them on.

Mr. Cappelletti: If I'm doing my job, I probably will. There's always something to comment on. And if there's nothing to comment on, and I do have one client that's very difficult to find something, I say in there, I can't find anything, but it's extremely rare.

Mr. Oppel: David, thank you very much.

The audit presentation ended at 5:50 p.m.

Mr. Barone continued the meeting with the Finance Update.

The Cafeteria service went out to bid. One response was received by Sodexo. The contract will be authorized and sent to Chinni & Meuser.

The SHS Girls Basketball Club sent a letter stating they will fold their money into the newly established Basketball Club Board. It will be presented at next week's BOE meeting.

Facilities Projects:

Mr. Barone reviewed the Project Report, noting the following items.

- The Sunnyside Roof bid was awarded.
- Furniture for the Media Center – the two respondents to the bids will be reviewed.
- 3 School Fortification Project – The bids were reviewed. Tomlinson Hawley Patterson (THP) of Trumbull was awarded the bid. The contract is in progress.
- SHS Fire Code Compliance Project – The letter to go out to bid was received. A meeting was held today. The motion was made to tweak a few administrative items and send them out to bid, which will hopefully be within the next seven to ten days. Dr. Clouet commented that there was essentially a log jam in place, which has now been unjammed and is moving forward, to everyone's benefit.
- Mr. Barone noted that most of the work involved with these projects won't start until the summer, but they will be ready to go once school ends.
- The Fortification project will be a longer project. There's a significant lead time for the doors. The entryways will be fortified, but there still may be some work occurring when school starts.

John Calhoun gave a Facilities project/progress report and noted the following.

- It is anticipated the Long Hill playground installation will be finished by the end of today.
- Doors have been replaced throughout the district, including at Central Office and Booth Hill School.
- Dr. Clouet and Mr. Calhoun met with Aquarion Water regarding lead in the water. An action plan has been started.
- The Mayor is considering a project to install fuel cells. A meeting was held with a contractor to look into the costs for this project.
- Contractors are working on final repairs at Shelton High School and Long Hill School, which includes repairing a back stop and installing netting between the new softball fields.
- Work Orders – Completion of work orders is averaging 27 days based on goals that have been set to complete them in a 30-day timeframe.
- We are awaiting the final reports for the three-year Asbestos Management (AHERA) plans.
- Booth Hill light poles are being delivered to the electrical contractor.
- Upcoming goals include updating plans for recycling at Shelton High School, repairing the front of Mohegan School where trees had to be dug up to get at the septic site, and replacing building signs that

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are old and falling apart, including one at Elizabeth Shelton and one at Central Office. Quotes are being obtained for the signs.

- Perry Hill punch list items are being worked on. Contractors have been lined up.
- Mr. Calhoun is working with Sunnyside Principal Amy Yost regarding a beautification project at Sunnyside School.
- Library Project – Mr. Calhoun met with a library move contractor to coordinate a smooth transition for removing old furniture when the new furniture items come in.
- Mr. Calhoun stated that he is waiting to move forward with the major projects.
- Chairman Oppel questioned the timing of the Perry Hill punch list as there is no funding carry over into the next fiscal year. Mr. Calhoun confirmed it is anticipated it will be finished for June 30th.

New Business:

Discussion and Possible Action re: transfer of budget funds:

Arlene Liscinsky MOVED to recommend the following budget transfers as presented by the Director of Finance:

Increase account 5123 Summer Help by \$10,063

Increase account 5561 Outgoing Tuition-Public Schools, by \$135,010

Increase account 5569 Adult Education, by \$13,206

Increase account 5412 Gas, by \$74,300

Increase account 5423 Service Contracts, by \$45,000

Increase account 5731 Replacement of Equipment, by \$26,000

Increase account 5732 New Equipment, by \$115,000

Increase account 5735 Computer Equipment, by \$20,000

Decrease account 5210 Medical Insurance, by \$438,579,

And recommend these changes for consideration by the full Board at next week's meeting, SECONDED by Faith Hack. A vote was taken with all in favor. Motion carried.

Dahill Invoice:

Mr. Barone stated that work was done on the Sunnyside roof for a temporary patch. It was thought the City would take care of the bill, but the City's Finance Director asked if the BOE could take care of it. A brief discussion was held. Dr. Clouet thought it was a good recommendation at this time and hoped that the City would help the BOE in the future if needed. It was noted funding will come from the maintenance budget.

Arlene Liscinsky MOVED to pay Dahill Company's invoice number 44258 in the amount of \$3,302.00 for emergency repairs to Sunnyside School's roof, SECONDED by Mark Holden. A vote was taken with all in favor. Motion carried.

Petty Cash was quickly reviewed. Mr. Barone answered questions posed by committee members.

Chairman Oppel adjourned the meeting at 6:13 PM.

Respectfully Submitted,

Eileen Victoria

**Eileen Victoria
Recording Secretary
April 27, 2016**