



BOARD OF ALDERMEN
SHELTON, CONNECTICUT
FINANCE COMMITTEE MEETING MINUTES
TUESDAY, AUGUST 28, 2018

Call to Order / Pledge of Allegiance

Alderman Simonetti called the Finance Committee meeting of the Board of Aldermen to order at 6:30 p.m. All those present stood to pledge allegiance to the Flag of the United States of America.

Roll Call

Alderman Stanley Kudej, Chairman – not present
Alderman John F. Anglace, Jr. - present
Alderman Anthony Simonetti - present

Also in attendance:

Administration:

Raymond O'Leary, Treasurer
Paul Hiller, Finance Director
Lynne Piscitelli, Assistant Finance Director

PUBLIC PORTION

Judson Crawford, 8 Jordan Avenue

Just want to make sure that this board knows up-to-date that there is a report already, as you can see, for the Senior Center, it said the last report was June 30th. I have already turned the report in to the Assistant Finance Director for July. Thank you.

1. MINUTES FOR APPROVAL

Alderman Anglace MOVED to waive the reading and approve the following meeting minutes:

1. Regular meeting – July 24, 2018

SECONDED by Alderman Simonetti. A voice vote was taken and the MOTION PASSED 2-0.

Minutes can be viewed on the city website: www.cityofshelton.org

2. RECONCILIATION UPDATE

Paul Hiller: One of the intents of this project is that we get more fully staffed in the Finance Department. I am pleased to report that as of today a new employee has started. She was hired after a process. There were approximately 15 applicants for the position. Ms. Piscitelli and I narrowed that down to six with the assistance of Mr. Bashar. We interviewed all six employees on two different dates earlier this month and we selected one employee who I am pleased to report started today.

Alderman Simonetti: And what position is that?

Paul Hiller: It's basically to assist with this project and to also to be backup for virtually all positions within the Finance Department. She is a part time clerk for 18 hours a week, about 4.5 hours a day for four days a week. The people we interviewed had good qualifications. We were pleased with the quality of who applied and pleased with the person we hired.

Ray O'Leary: The primary responsibility is helping to reconcile accounts...correct?

Paul Hiller: That's right. I think the other thing too Ray is to get some redundancy in the accounts payable department, the payroll area. That's secondary to that.

Alderman Anglace: Is this going to change the reconciliation assignment?

Lynne Piscitelli: She is going to help us out.

Paul Hiller: Reconciliations is part of her task.

Ray O'Leary: But reconciliations will be her primary task.

Alderman Simonetti: What's her name might I ask?

Lynne Piscitelli: Laurine Kovacs.

Alderman Simonetti: Will she be ending up on this list or not?

Paul Hiller: Potentially yes. I think that's a decision that needs to be made.

Alderman Anglace: I am raising the question because the primary purpose of hiring this person was to give her assignments on the reconciliation and that's what I pushed the Mayor for.

Paul Hiller: Yes, and I think in time and with her experience...

Alderman Simonetti: Is she a CPA or a bookkeeper?

Paul Hiller: Bookkeeper.

Alderman Anglace: OK. So, it's fair to say that immediately she is not going to impact what we are doing but she will be trained so that she can take over some of this assignment.

Paul Hiller: She is certainly qualified.

Ray O'Leary: Well she could have helped with something like this. The report says that the tax office is jammed up because of tax season. Had she been here she could have been assigned to tax balance correct?

Alderman Simonetti: Just as an aside, I know there you can't use Wells Fargo anymore are all those accounts zeroed out yet?

Paul Hiller: No. We had some difficulty with Anthem as Anthem was (inaudible) the Wells Fargo accounts. I would be able to tell you better on Friday morning if Anthem finally comes through on what they said they would do. In that case we will close all but one account with Wells Fargo by the end of the month.

Ray O'Leary: How many are left?

Alderman Simonetti: Three that I see here. Are all the other city accounts reconciled?

Lynne Piscitelli: For the city? Yes.

Paul Hiller: Yes. I just wanted to report that because I think that was a key element for the last 12 months. John and I have had several meetings and one of the key elements was getting adequate staffing and a person who is dedicated to this. We have the flexibility from a budgetary stand point to increase the hours if need be.

Ray O'Leary: We broke out A, B and C. The first one Schedule A, these are city accounts. The reason we broke out A is because they are on the General Ledger. The key thing to us was balancing these accounts to the General Ledger. That says they are in balance and reconciled. So, these in Schedule A, top left, are all city accounts. Schedule B would be the Board of Education accounts. Paul Hiller, myself, and Lynne have been working on reconciling the City's depository accounts for approximately 18 months. Alderman Anglace explained their progress and the next steps they plan on taking to the Finance Committee. They will continue their work, eventually bringing someone in from the Board of Education to begin working on their accounts as well. The idea is to go to the Board of Education and we will be as soon as we put these reports together. Then we hand them to the Board of Education and say here's what we do and here's what we would like to have you do. So, we will have all the Board of Education accounts balance to the General Ledger.

Alderman Simonetti: To their General Ledger?

Ray O'Leary: Yes.

Alderman Anglace: We just want to be sure that when we go to the Board of Education, the way we set this up that they do the same thing. That they do the same format because I don't want to see them come up with a new format of their choosing.

Paul Hiller: They do use a different accounting software. That should not be a problem because this is basic.

Alderman Simonetti: Did you have any difficulty with any department or group with the reconciliations on the city side at this time?

Paul Hiller: Well, most of these are internals of the Finance Department. Tax is the only one that really is there.

Alderman Anglace: I believe we need to stop with these questions. We need to get an update from the last meeting to this one and we were behind in those four accounts right to June 30th? So now those are up-to-date? That now puts us in a position to go forward. We are going to go to the Board of Education and that's what we should concentrate on now. We are okay. Now that we are okay we have to sit down and talk to them. I think we need to spend a little time planning on what we are going to do and say.

Ray O'Leary: Look at the last reconciliation. The second from the right. These are the most significant issues that we have. They are out of balance as far as we know. These are accounts, so you know, that the officers in the City of Shelton are on these accounts namely myself and the mayor are signed on these accounts. This is a major issue to those who sign on them and to the city that we do not have a balanced account in our possession for those accounts. It's significant in my opinion.

Paul Hiller: There are two major accounts that they have in which you or the mayor are not signers.

Ray O'Leary: There are four.

Paul Hiller: They carry reasonably significant balances in those accounts.

Ray O'Leary: When you look at one, Kathy is on these but she is on these as the reconciler. And there is one account that's minus 1.9 million in the account. We don't have the reconciliation total. These have not been balanced or they have not notified us.

Paul Hiller: On that particular account I can see it daily. I can see if there is any activity.

Ray O'Leary: You aren't looking for activity that could be detrimental to the account.

Paul Hiller: Right now, this morning they have about 1.6 million in it. If they write five checks a year in that account...

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Ray O'Leary: That's why it should be very simple to reconcile this.

Paul Hiller: This is also an account that the auditors look at very closely. They probably already have because the auditors last week were at the Board of Education. The auditors have probably looked at that account I suspect. It's something that's off their budget. Now say you gave them \$72 million, you go to the other report and you find out, oops, they spent \$80 something million. This is where it comes from. This and the school lunch.

Ray O'Leary: They are going to be coming to this Board and saying we are reconciling the accounts to the General Ledger on all these accounts. They can't say that to those Board of Education accounts that are out of our General Ledger. They are not on the Board of Ed's General Ledger. So, we really can't say all of our accounts are reconciled if those are not.

Alderman Anglace: Getting back to my question. What are we going to expect or require of the Board of Education to get ready for our next step with them? What should they prepare for us?

Ray O'Leary: I think it's pretty simple but I want to get to C first. Schedule C is the Plumb Library and the Senior Center. Neither seem to have any issues. They are not on our GL but they are very important to the city. I want to make sure they are in balance on a regular basis.

Alderman Simonetti: Who signs for the Library?

Lynne Piscitelli: It's probably the Library Board members.

Ray O'Leary: What we do John is make sure we have all these done with all these subcategories and a little narrative with this and then you can call someone at the Board of Education and tell them to meet with us.

Alderman Simonetti: I think they are separate issues as far as I am concerned. The School Board, the City and the Library and the Senior Center. I would just ask you to call the Board of Education and say that we are reconciling all the accounts, it's a new procedure to make sure everything is up to snuff and we would like to start with you and can you meet with us this week?

Paul Hiller: I have a meeting with the Mayor and Mr. Drapp tomorrow morning on another topic and I can give him the heads up.

Alderman Simonetti: John is that enough for you?

Alderman Anglace: No, that's not enough for me. Giving Ed the heads up is wonderful but I believe we need to give them much more than that and in writing.

Ray O'Leary: Absolutely.

Alderman Anglace: Otherwise he has an easy out.

Ray O'Leary: Send him copies and say here is what we are going to expect and you can meet with us and we can go through it.

Alderman Simonetti: I wouldn't give him that. I would send the BOE notice that you are going to be coming in and that you want the accounts to be reconciled by this date.

Alderman Anglace: I think they have to understand the process that we are following, the principals that we have adopted, and make sure that they have the same thing in place because otherwise they won't know what to do.

Ray O'Leary: Our auditors are all for this. They want us to do this. Their happy about this.

Paul Hiller: I can draft up a memo to Clouet and Drapp.

Alderman Anglace: You have to give them the format so they can start preparing.

Alderman Simonetti: If you agree that Lynne should be the contact person she can offer to go up and see what they are doing and see if it meets the criteria.

Ray O'Leary: Mr. Clouet ought to be the primary person we deal with and he should assign it to someone. It's like treading uphill if you don't. The auditors audit us, and then they audit them, we are only asking that we all be on the same page and the accounts reconciled. The auditor doesn't do the reconciliations. Look what happened here with the City and reconciliations and we lost a lot of money.

Paul Hiller: One thing they have been doing, particularly on their General Fund account, they have two primary accounts that we have full access to. Obviously, their payroll account and their General Fund account. What Lynne asked them to do so we can see it, some of the big checks is that we are basically funding some of their stuff. They probably have as many as ten different accounts within that General Fund Account that they are expensing money into. When they do an accounts payable we are seeing whether it's in the School Lunch program, or whether it's General Fund or the Athletic account. The Athletic account right now we know they owe us about \$50,000 from last year. I think that's a concern that I think over time we want to correct.

Ray O'Leary: They only pay us what they want to pay us.

Alderman Simonetti: When you call them, they send the money but if you don't call them they don't send the money.

Alderman Anglace: That leads me back to what I have been thinking about. We have two different accounting systems. When you issue on a monthly basis a budget reconciliation for our side of the budget for the city, it shows the account number, the account name, it

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shows the amount at the beginning of the year, transfers activity, and it shows year end. That is what we want from them.

Paul Hiller: They produce a report, I know that Mr. Crawford has it. They produce it monthly. That's just a budgetary report. There's no detail.

Alderman Anglace: They use a different system altogether. The object summary, I mean what the heck is the object summary? This should be plain and simple ordinary accounting. Give us the name of the account, give us the amount that's in that account at the beginning of the fiscal year, show the ins and outs, the transfers in the account, on a spreadsheet and show us the year-end. Then we will be able to see what they spent their money for and what they have left and what they did. Otherwise, we don't know. When they come in at budget time, we had about seven or eight meetings this year in Room 104, to try and sift it out and see what their needs are. That's ridiculous. If we had it simplified into a budget format like the city has then everyone would be on the same page. Why can't we do that?

Paul Hiller: That's a question for them to answer.

Alderman Anglace: Look, we are the fiscal authority, this is what we want. If they want to use two systems fine, but this is the system we want them to report to us.

Paul Hiller: Frankly, they have a more advanced software system than we have.

Alderman Anglace: If your account here is this and you have sub accounts, then break it down.

Alderman Simonetti: I will use the athletics department as an example and I don't know how they do it. Athletics - \$3.6 million, \$1.2 million for payroll, \$200K for football, obviously these are not the numbers but just an example of how it should be broken down.

Alderman Anglace: We aren't even asking for it to be broken down like that. Just give us the number that the Athletics Program or other departments get at the beginning of the fiscal year and then show the transfers etc., and then show us the year end. At least let's get started with that.

Ray O'Leary: That's an easy thing. Has anybody asked directly for this?

Paul Hiller: Not specifically no.

Alderman Simonetti: Please ask them. Show them what you do for us.

Alderman Anglace: First they need to start off listing the accounts like we did. Lynne put this together and she can be of help to them if they don't know how to do it.

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Lynne Piscitelli: I worked with Katherine to create the reports, she is the one who provided me with all the accounts. At the time we were putting it together she gave me the most recent reconciliations.

Alderman Simonetti: So, we are going to ask for a similar format for what we get every month and for them to start the reconciliation process as soon as possible and give them an explanation as to why we want it. Since Lynne has made so much progress with Kathy I don't think it should be too difficult to get it. It definitely has to be brought to everyone's attention. The Board of Education is going to have to know that we need to know where the money is now.

Alderman Anglace: I imagine I am jumping the gun a little here, this is Step 1 to get a list of the accounts and making sure they are all reconciled and someone is assigned, you know, the procedure we have in place, but then down the road after that we need them to get us a different accounting format so we are all on the same page.

Ray O'Leary: They need to give us all the accounts, all the account numbers, and all the balances and it should be in agreement with the General Ledger so we know if anything is missing. Then if we want to know something we just ask for some details on a certain account.

Alderman Simonetti: We give them a lump sum and they have to allocate it to their budget...

Alderman Anglace: That's the missing link. When we give them the lump sum we never know where they allocate it, where they start and where they end.

Alderman Simonetti: Just as an example, they give athletics a certain amount and if they don't use it all and say there is \$100,000 left in the account at the end of year, then they slide it over to something else. Who makes that decision?

Ray O'Leary: Well when I was on the Board it was the BOE's Finance Committee and we brought it to the Board in detail. Since then they have gotten rid of all that and it's done by Clouet and Drapp. They also got rid of the personnel committee, which I believe is a critical committee.

Alderman Anglace: The way they do it now Ray is that they approve Object Summary #22.

Ray O'Leary: Yes, that doesn't mean anything.

Paul Hiller: They are protected by State Statute.

Alderman Simonetti: They are protected in that we can't ask for the money back and we can't tell them where to spend it but that they don't have to account for it? The state statute can't protect them from that.

Alderman Anglace: We want our reporting relationship to change so we understand it.

Alderman Simonetti: So, you understand what John wants and what I want as a board member and then whatever you need then arrange for that.

Paul Hiller: There are 169 cities in the state that are looking for the same thing.

Alderman Simonetti: We aren't looking to start an argument, we are looking for them to be accountable to the city and to the people who vote us in.

Ray O'Leary: I think what we should ask our auditor is that this report, when finished, is a critical report, and I will venture to say that it's not being done by any other community, what do you think?

Paul Hiller: There may be some.

Ray O'Leary: We are doing this so we know what's going on and we don't have any losses and making adjustments that should have been made a long time ago. Why would they say no unless they had something to hide?

Alderman Anglace: Right now, they are going back and forth, we are not going to have pay to play, we are going to have pay to play and if you want to play sports you have to pony up \$600. I just got an email from a man who is very upset about that. How can we judge what the BOE is doing with the taxpayer's money? We can't.

Ray O'Leary: When I was on the Board of Education what would happen is if you want to make changes you bring a report to the Finance Committee requesting it, you bring your original budget, you bring your transfer items, your taking from and putting it to, that's what gets approved. So, we are taking \$250,000 from this account to pay for chrome books. Now we have a budget that's corrected. That's what went to the Full Board. The Finance Committee would give the Full Board the report and say here are the adjustments we made, here are your copies and everyone can see it.

Alderman Anglace: Our part of this thing, our ducks are in a row. We can use our format with them to follow. This is Step 1. We get them to follow this format and procedure. We ought to meet with them quarterly.

Ray O'Leary: Right, we give them time to do it and they bring it back to us. I would have jumped on this when I was on the Board and said perfect. This is a good idea.

Alderman Anglace: They have a Finance Chairman?

Paul Hiller: Minotti.

Alderman Anglace: Then call Minotti and tell him what we expect of them, give him the information and tell him to get it ready and we will set up a meeting to go over it. It will be up to them who they want to bring to the meeting. You want to do it through Chris Clouet?

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Ray O'Leary: Top down is how I would go.

Alderman Anglace: Okay then, somebody is going to have to contact Clouet.

Paul Hiller: I will do it.

Ray O'Leary: All we want is to reconcile the accounts, that's it, it's not that hard.

Alderman Anglace: You want to work through Chris. I have no problem with that. Paul you contact him, give him the format and they can start preparing and get everything set and when he is ready, let us know, and when they give us the information that we requested in same format that Lynne gave it to us, then we can sit down with them and go through it. That's when we set up the meeting.

Ray O'Leary: Let's start with June 30th. These are numbers they have.

ADJOURNMENT

Alderman Anglace MOVED to adjourn; SECONDED by Alderman Simonetti. A voice vote was taken and the motion passed unanimously.

The meeting adjourned at approximately 7:25 p.m.

Respectfully submitted,

Theresa Adcox

Theresa Adcox, Clerk
Board of Aldermen