



BOARD OF ALDERMEN  
SHELTON, CONNECTICUT  
**SPECIAL FINANCE COMMITTEE**  
**MEETING MINUTES**  
**TUESDAY, DECEMBER 10, 2019**

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**Call to Order / Pledge of Allegiance**

Alderman Simonetti called the Special Finance Committee meeting of the Board of Aldermen to order at 5:00 p.m. All those present stood to recite the Pledge of Allegiance to the flag of the United States of America.

**Roll Call**

Alderman John F. Anglace, Jr.

Alderman Anthony Simonetti

**Administration:**

Raymond O'Leary, Treasurer

Paul Hiller, Finance Director

Lynne Piscitelli, Assistant Finance Director

**1. MINUTES FOR APPROVAL**

Alderman Anglace MOVED to waive the reading and approve the following Special Finance Committee Meeting Minutes of September 24, 2019.

SECONDED by Alderman Simonetti.

A voice vote was taken and the MOTION PASSED unanimously 2-0.

Minutes can be viewed on the city website: [www.cityofshelton.org](http://www.cityofshelton.org)

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## **2. STATUS OF BOE SPECIAL REVENUE ACCOUNTS**

Alderman Anglace: As I understand, Rick Belden wanted to be here but there are teacher negotiations which prohibited him from being here tonight. He called to let us know. I don't know if anyone can elaborate on the status of the reconciliations.

Paul Hiller: Rick had said they are progressing as far as this is concerned. There is obviously still a legal dispute, shall we say, with the Excess Cost Grant.

Ray O'Leary: What are the revenue accounts?

Paul Hiller: There are four or five accounts, the others are fairly small. He has indicated that the only one he sees a minor deficit in of those other smaller accounts is in the school lunch account. The others he thinks he has been able to rectify.

Alderman Simonetti: You want to table that until next time?

Alderman Anglace: No. My recollection is that he needed to meet with the auditor to determine a starting point and then he could move forward. In the last meeting, in the minutes, it reflected the fact that that's where they were and that he was getting the cooperation from the auditor and they were making progress. Ray, do you know about the specifics of this?

Ray O'Leary: No. What we were looking for is the status, a written status as we go forward so we don't have all these questions. If we had a written status on a regular basis stating, here is where we are and here is where we are going, we wouldn't have all these questions. We have the same questions we've had the last six months.

Lynne Piscitelli: He sent over his reconciliation procedures.

Ray O'Leary: No, I am talking about the accounts.

Lynne Piscitelli: I know. What he has is that we have now made adjustments on the general ledger so that one account that is Board of Education cash is only going to be Board of Education cash for the General Fund expenses. Then the separate revenue accounts he has mimicked to match how it's reported in the financial statements and going forward any check runs, any payroll runs, we are now going to book just to the general fund in our cash account and we are going to book the expenses for the special revenue accounts in separate funds so it will be much more transparent what we have expended for them and what they owe us. So that's one of the steps we have taken.

Alderman Simonetti: What was in the Board of Education's School Lunch program that shouldn't have been in there?

Lynne Piscitelli: I don't know. He said there is an overage in there that he is going to work on paying off and paying down over the upcoming year.

Ray O'Leary: Special Revenue Accounts highlighted by the auditor. They are not on B, are they? So that I think is the first topic. That's what we are trying to arrive at is the Special Revenue Five Accounts for 2018 audit that were overdrawn. What we were trying to do as a group, including the BOE Finance Committee, the Mayor and all of us is trying to get the Board of Education to explain to us what happened on those five accounts, and what is the status going forward? Rick has met here with us and has said that he pretty much had them straightened out but we didn't get any final answer on it. I am sure Rick has been working on it.

Paul Hiller: We don't have anything in writing.

Ray O'Leary: But if we had that at this meeting, then this meeting would be very simple on that topic. What happens is that it's not a simple meeting on this topic because no

one understands where we are. Right now, this discussion is around the depository reconciliation account, not around the five that's in the audit. We should be answering the audit on those five accounts.

Alderman Anglace: I think it may help to reach back a little bit. If you go back into the minutes from last meeting, the comment that I made to him was that the four Special Revenue Accounts here, we just need an update on how these are progressing. He did acknowledge that they have been meeting with the auditor. He explained a bunch of things that we asked him about and he said that, 'I am now in the process of tying in the opening balance and then I will have a true idea of where we are this year. As I go through the initial closing with the auditor, I will be working with him to possibly classify things a little bit differently but we can't have a plan until we knew what the deficiency was and how we can remedy it. So, now we are getting closer to that part of it.' I am not talking about four of them, one is in litigation, so I am talking about the other three: Building Use, School Lunch Program and there is a third one, I do not have the name of it, and the Excess Cost that's included in the Education Grant. The Education Grant, excluding the Excess Cost, is going to be fine.

Ray O'Leary: But if we were to get that John, a written update?

Alderman Anglace: What we want to do is to clarify here for the record what it is we want so it can be put into the minutes and he can read it. That's what we want to do. I don't detect any difficulties with cooperation or him giving us what we want. So, what is it that we want? Who wants to clarify this, Ray?

Ray O'Leary: We want an update on the five accounts, one of which will say, "in litigation" ...the other four we need an update on. They appeared on the June 18<sup>th</sup> audit as being overdrawn. We have had various discussions on those four accounts regarding the status and how do we get it solved. Rick has talked about how he was going to get them straightened out. One of them was to understand what actually happened to create the overdraft initially and then the second part of it was to talk to the auditor about it so they can determine what the next step would be and that's the last I heard at

the last meeting. I am sure he has been talking to the auditor. It would be nice if this thing could be put to bed. We are responsible for responding to the auditor.

Alderman Anglace: So that takes care of Item #2.

### 3. BOE BUDGET FORMATTING REVIEW STATUS

Alderman Anglace: Go back to the minutes again from last month. Paul Hiller stated, 'I know one of the concerns you have and the Board of Aldermen has is the Budget Transfers. This is a line item for budget transfers within that report and obviously there will be more detail behind it because frankly we need it. It's got primary information.' Rick Belden says, 'the revenue report mirrors what was put into the Board of Education budget package line for line.' So, you guys are working in the direction of getting their MUNIS report to be compatible with our system and getting the report as we asked for it, the way we envision it with the line item transfers which would be helpful not only for us but for the Board of Education Finance people. So, what's the status of that?

Paul Hiller: He submitted to the Finance Committee Board of Education, a report as of November 30<sup>th</sup>, as to the status. First off there is a one-and-a-half page written report on the various accounts. One of the things is that it doesn't give a great deal of detail when you have a \$72,000,000 budget which is being broken down into a one-and-a-half page report, which is not a lot.

Ray O'Leary: So, it's not a report, it's a summary?

Paul Hiller: Well that's the summary and then there is an attachment through November 30<sup>th</sup> where they have surpluses.

Ray O'Leary: So, is there a report or reports that would give him the totals that ended up in his summary? Is there backup?

Paul Hiller: Yes. As I said, that's in a page-and-a-half, I can run upstairs right now and get it. I should have brought it with me. My apologies.

Ray O'Leary: I'm just trying to find out if this page-and-a-half is a summary of a report used by auditors and all of us that gets back to the actual categories John mentioned.

Paul Hiller: It's not something that's for the auditors really.

Ray O'Leary: Then it's not what we are asking for, is it? This is like the same situation we had with the reconciliations. He is creating a report that isn't audited. We can't audit it.

Paul Hiller: It's an interim report obviously too through November 30<sup>th</sup> primarily on expenses, obviously their revenues predominantly come from us.

Alderman Anglace: I don't want to cause you a lot of pain but, in our budget, as you recall in the last meeting, I went line item by line item pointing out where the deficiencies were, where the over-expenditures were, that's pretty obvious and it elicited an immediate explanation, that's satisfactory. That is what we are trying to achieve with them. He indicated to us at the last meeting that the format that he was putting this in would be in a summary format, line item by line item, but with greater scope of the line items which then could be looked back at and get details from other sub accounts. I think that probably is a good starting point. It would show us if they made transfers and we immediately know to take money out of that account or put money in that account and you know, we could ask some questions. If that account that they've set up happens to be running short, we would get some idea that there are some difficulties on the way.

Ray O'Leary: You are talking about identifying the accounts equal to the way we do it and running totals equal to the way the city does it. That's what Rick has agreed to. We would be able to look at these reports at the Board of Aldermen level and understand how the \$70 million was divided based on, we would get their budget, did we get their budget that they approved?

Alderman Anglace: We did get that, yes.

Ray O'Leary: So. we have that budget, we are supposed to on a quarterly basis look at the city's budget versus what the Board of Education put together with the same accounts.

Alderman Simonetti: I disagree. It should be like we have it, monthly, so we could see which accounts were being overdrawn or underdrawn during the year.

Alderman Anglace: I don't know where the starting point is and I think that's what you were trying to work out with him where the starting point is, how large you group your accounts, by school, by function, I don't know if he can report it monthly. They do their reporting on a quarterly basis I believe.

Paul Hiller: He is doing reports on a monthly basis. I caution you with one thing though. The one thing you have to remember is under state law their budget to the Board of Aldermen is one line. Period.

Ray O'Leary: That's their budget request.

Paul Hiller: That's their request and what they are able to do within that line.

Ray O'Leary: They don't have to explain how they spent it. They should be able to as they have agreed.

Alderman Simonetti: So, for number 3 we are asking Rick Belden to give us a status update and I would like to know when he plans to have it ready. It should be ready by now. It's been six months.

Paul Hiller: We can ask for a brief written report on the status of this.

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Ray O'Leary: We remind him that's what we want.

Alderman Simonetti: I want the report at this point. I want the actual report now. We have been waiting and waiting and waiting.

Alderman Anglace; Would it be fair to say we are halfway through the fiscal year? We are still wondering what the report is going to consist of.

Ray O'Leary: John, I think December would be a good time to look at a semi-annual report. When you close December, January's meeting can have a six-month report and then you can multiply it by two to get your totals.

Paul Hiller: In their case it's a little skewed because the first two months are slow and the last two months are not.

Alderman Simonetti: Rick Belden was there at the time of the budget so he knows what we are asking for. Every time we met with him; we have made it very clear that we want to see the document like we have our document. They could review as well as us. I am sure it would make it easier for the Board of Education members, new or old, doesn't matter, to see where their money is and where it's being spent.

Ray O'Leary: Well Chris agreed with that as well.

Alderman Simonetti: He agrees with it too but it's not done.

Alderman Anglace: I think Ray makes a point here that we should build on. We've finished the first half of the year. In whatever format he can do it at this point, let's have him give us a document which shows what he thinks is what we asked for so that we can mutually review it and give our feedback. Would that be appropriate?

Paul Hiller: I think so. I will also forward to you, the email which is the November 30<sup>th</sup> report which he submits to the Board of Education Finance Committee.



Lynne Piscitelli: I think that's what you are looking for.

Paul Hiller: There is a dialogue within that also.

Alderman Anglace: Building on what Ray said, Paul if you can communicate to Rick what it is we are looking for and as soon as he's got it ready then let us know and we will set up a Special Meeting just to talk about that, just to talk about the budget formatting so we can get that off the ground.

Paul Hiller: To Ray's point that may be more appropriate in January because that would be right before they are adopting their budget which they will normally do towards the end of January.

Ray O'Leary: I think that would be a good time, in January, for them and us.

Alderman Anglace: I think that's where we are and we don't need a motion. I think we have stated it clearly enough so that what we want to do can be communicated. I don't think it's anything that Rick would have any problem doing and it will show some progress.

#### 4. DEPOSIT RECONCILIATION PROCESS SCHEDULES A, B, C

- 90-DAY TRANSACTION REPORT
- ASSISTANT FINANCE DIRECTOR'S REPORT
- FINANCE DIRECTOR'S REPORT

Ray O'Leary: This has been going really well. There are very few issues on here nowadays. When you look at Schedule A. There are two issues that we need to talk about and that is the two accounts that are on Schedule A that are Board of Education accounts. Those are the ones that are not reconciled and Rick may say they are but

from our perspective the balances are not reconciled against the bank statements. Is that a fair statement?

Alderman Simonetti: Which one are those? Please point them out for the record.

Ray O'Leary: Accounts #4335 and #4336. We have been carrying that since July of 2018.

Lynne Piscitelli: But they did update it.

Ray O'Leary: They updated it but we are asking them to balance like we all do. We have a general ledger that hasn't been balanced to those two accounts. And they are significant balances and transactions. We are looking for those two accounts to start. Schedule B has two accounts that have not been reconciled. Period. We have two accounts that the balance on the bank statement is not being balanced to the General Ledger and has not been for a long time

Paul Hiller: And those two accounts frankly are the ones running \$72 million dollars.

Ray O'Leary: It's a problem. We can't seem to solve it. What I am trying to do, I am working with Lynne, what we want is the auditor to help us, I am looking for a written procedure that any one of us could pick up and follow it and have it all balance. So, in Lynne's absence, you could look at this procedure and it says Step 1, Step 2, etc. Follow that and you have a balance. They ran into trouble because as the auditor says, they don't have general ledger balances.

Lynne Piscitelli: So, Janelle, the auditor, is working on the June balance right now. I sat with her because I wanted to see what reports she was asking from them. They do have runs and I do have them. What I was hoping is that Janelle is going to balance to June, I am going to follow what reports she requested from them, what she did with them, what kind of reconciling we have, timing issues, so I can go forward from July 1<sup>st</sup>. I would be able to pull these reports every month from them and we can tie out that way.

Ray O'Leary: But we aren't going to do it?

Lynne Piscitelli: They are going to do it.

Ray O' Leary: What she just described is what I have been asking for since Day 1. That is a procedure. I am going to follow Janelle. I am going to look at the backup she uses. I am going to pull the statements and pull the reports and at the end we should be in balance. That should be written down that way so I could do it just by reading the procedure. That's what we are looking for. That's not hard. You can't get that because from the Board of Education, there are a lot of reports and a lot of issues that are not, let's say, easy to get at. They use a whole bunch of different reports and not balancing to the bank statement, they are balancing to the cash on the bank statement which isn't the same thing. This is critical. We can't go through another audit with these accounts out of whack. We need this desperately. Lynne and I have been working on this and we are now using our auditor to draft something to give us, Lynne wants June of 18 which is perfect as it gives us a baseline. You have to start somewhere. What's going to happen is if you carry that balance, when it's balanced, now you have your starting point or whatever you want to call it. If you balance to that for 90 days, and this is standard in any industry, if you balance that to that difference for 90 days, before that you are going to be off some money, I promise you, because you are going to be balancing to a constant difference. When she gives you June if it's in balance, I'd be shocked. Let's say it's off \$13,000, then next month you better balance it at \$13,000. That's what you have to do. The month after that you have to balance it at \$13,000 and the month after that you balance it at \$13,000. Now that \$13,000 is suspect on their statements as saying okay that goes into a different account to be determined. Then you have a balanced account and you have a difference that is either going to be found, written off or credited somewhere. Then you have a situation that they can report every single month and if somebody is out, they have a procedure to follow and there are no excuses.

Alderman Anglace: I think what you are saying is that we need to get to that critical point where it's the same number and then write it off.

Ray O'Leary: Exactly. Then you are constant. The legal way to do it is to have 90 day constant.

Alderman Anglace: Now the City isn't going to do this. This is the Board of Education Finance Department that has to do this. So how do we communicate to them what it is that we want? Is what you just stated in the minutes enough for them to pick up how to do this and what we want?

Lynne Piscitelli: I had a conversation with Rick this week. He and I had a discussion and he knows what we need.

Alderman Anglace: Two things should bring about the change. One is the discussion that we just had and have been entered into the minutes and the second is your reinforcing it with your discussion with Rick, the Finance Director of the Board of Education. So that should bring about some change for a desired procedure and results.

Ray O'Leary: Keep in mind, that procedure will help us on these two accounts with our GL. Now there are a whole bunch of other accounts that may have different reports. So that's a second procedure on that other stuff. There is a procedure that includes this number of accounts. We are looking first of all to get these two balanced that are on our GL. Those two are on our GL. When you look at them, the Board of Aldermen are making a decision on a budget, you are looking at these two accounts in terms of cash, you are relying on that the cash is there. You try to do that and it's fair but the other side of it is that these should be balanced so they are credible numbers. So, you know they are credible.

Alderman Simonetti: Lynne do you have any 90-day transaction report information that you want to pass on?

Lynne Piscitelli: There is very little in there.

Ray O'Leary: Lynne has to go over these quickly.

Lynne Piscitelli: There are seven items that are outstanding, over 90 days, two of them need to be voided, one was cashed after the date, others I am doing research on and the others I want to wait and give it the full six months before I do it. So, there is really nothing.

Alderman Simonetti: How about the Finance Director's report?

Paul Hiller: The Finance Director's report is that Lynne is doing a spectacular job particularly given the issues that she has had. Not issues really but the extra work with the bus payroll which is many employees, she could tell you better than I could. Probably 90 employees roughly and they are paid on a weekly basis as opposed to a biweekly basis. That's an added burden frankly.

Alderman Simonetti: Yes. Payrolls are not easy.

Paul Hiller: We have added some things to it. We now have a retirement program as part of that with a 457 plan which has just been added in the last month. We are getting there.

Ray O'Leary: Who makes the changes?

Paul Hiller: The changes are coming primarily from the operations people.

Lynne Piscitelli: Dave does the time cards.

Alderman Simonetti: But they have to send you the information so you can put it into the system? They aren't putting it into the system?

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Lynne Piscitelli: Actually, Paychex runs very well because it's not like the City where there are all different unions and different rules. Paychex I can actually pull the time right out of the time portion of it into the payroll portion of it. So that's much easier.

Paul Hiller: One of the reasons we took this over July 1<sup>st</sup> essentially from Paychex was because they were the company that was providing payroll services to the previous company, not to Durham but to Landmark. Lynne will tell you it hasn't come without pain. Any transition like that it will happen. We started up a new company basically with close to 100 employees.

**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 5:40 p.m.

Respectfully submitted,

*Theresa Adcox*

Theresa Adcox, Clerk  
Board of Aldermen