

Approved: 4/9/18

**TOWN OF WINCHENDON
JOINT MEETING
BOARD OF SELECTMEN, AUDIT COMMITTEE, SCHOOL COMMITTEE
AND FINANCE COMMITTEE
Monday, March 19, 2018
Town Hall, 2nd Floor Auditorium
109 Front Street, Winchendon, Mass.**

Board of Selectmen Members Present:

Barbara Anderson, Chair
Audrey LaBrie, Vice-Chair
Michael Barbaro
Austin Cyganiewicz
Charles Husselbee

Keith R. Hickey, Town Manager
William Schlosstein, Town Accountant
Linda Daigle, Executive Assistant

Audit Committee Members Present:

Maureen Ward, Chair
Michael Barbaro
Dawn Fronte
Roger Doucet

School Committee Members Present:

Larry Murphy, Chair
Dawn Fronte
Gregory Vine
Felicia Nurmsen

Steve Haddad, Superintendent
Rich Ikonen, School Business Manager
Barrie Martin, Recording Secretary

Absent: Danielle LaPointe

Finance Committee Members Present:

Tom Kane, Chair
Maureen Ward Vice-Chair
Doug Delay
Christian Orobello
James Robichaud

Katie Broome, Recording Secretary

Special Guest:

Anthony Roselli, CPA
Roselli, Clark & Associates

List of Documents Presented at Meeting:

- Management Letter Year Ended June 30, 2017 (attached)
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Tom Kane called the Finance Committee meeting to order at 6:02 p.m.
Barbara Anderson called the Board of Selectmen meeting to order at 6:02 p.m.
Larry Murphy called the School Committee meeting to order at 6:02 p.m.

*Joint Meeting with
Audit Committee, Board of Selectmen, Finance Committee and School Committee
Monday, March 19, 2018*

Maureen Ward called the Audit Committee meeting to order at 6:02 p.m.

All stood for the Pledge of Allegiance to the Flag of the United States of America.

Announce audio/video recording disclosure: There was no one who disclosed they would be audio or video recording the meeting this evening when asked by Chairman Kane.

Kane turned the meeting over to Maureen Ward, the Chair of the Audit Committee. Ward introduced Mr. Tony Roselli saying he conducted the Town's audit again this year and is here to present the Management Letter. She pointed out a lot of hard work has gone into the Management letter and he has done a wonderful job.

1. JOINT MEETING WITH BOARD OF SELECTMEN, AUDIT COMMITTEE, FINANCE COMMITTEE AND SCHOOL COMMITTEE:

Presentation of the Annual Audit Management Letter for FY17 by the Audit Committee with Roselli, Clark and Associates, CPAs

Mr. Roselli thanked the Boards. He explained that what they typically do for the presentation is to go through the Management Letter giving an overview of the audit and financial statements. Once finished with the overview, we can go through the findings and the good comments in the letter.

I. Overview

Roselli said in 2015 the Town went through an issue where the insurance costs had gone over and the Town had to do deficit borrowing. The Town has done a complete turnaround financially, the budget is balanced and you actually gave back a significant portion of debt and the Town is on schedule to pay it off in FY19 or at the latest in FY20. This was a ten year bond. He applauds the Town for coming together and taking on the task and pulling it off. He never thought this would happen and it is a great accomplishment.

Ward asked for a minute for the assembly to applaud the Town for what has been accomplished.

Roselli said another thing that is noteworthy is how the whole town has come together. It was a different atmosphere in this room four years ago. Everyone has come together and though there may be disagreements, there are discussions and things are sorted through. He has seen an extraordinary collaborative effort to eliminate a lot of findings, to resolve issues and also contributing to paying off debt in an expedient fashion. He had a recent discussion with the Dept. of Revenue (DOR) on various accounts and when they spoke about Winchendon, the DOR is comfortable with what is happening in Winchendon and they don't view the Town as a problem it had been a few years ago.

Roselli went on to review the Management Letter. He said the audit consisted of four sections: the Town, the School, the Police Dept. and the Fire Dept.

II. Findings and Recommendations – Town:

Compensated Absences Calculation Procedures (update of prior year finding)

Roselli said this is the only one here to say that it has been fixed. Next year you could have a blank page here. He congratulated the Town.

III. Findings and Recommendations – School

Introduction

Roselli said on the positive side, the school has been great working with the Town and doing whatever the Town requests. They have sat down and gone through things, resolved payroll issues, resolved MUNIS to work together; a lot of good things happening on this side. One of the areas we saw that needed extra effort is on the grant side. A lot of these findings really go back to 2013; they have been lingering for some time and he really wants to see this be focused on and fixed. Roselli pointed out how the Town brought in an outside consultant, Eric Kinsherf, which worked well with the new Town Accountant. There was a big change with Eric's help. He didn't see that level of effort to help out the school side, not a mentor employee relationship like the Town had. It had been suggested last year to seek help with a lot of this with it not being easy mentioning the many single audit rules that if not followed, you won't receive aid. The School Business Manager didn't come in with a lot of single audit and end of year report experience. It takes two to three years to really grasp that. This is what he saw was missing. "Let's set Rich up to be successful. He has a lot of great things to be on a team. He is very agreeable, very motivated, he's likeable; a lot of things you want to see on a team player. Let's see if we can give Rich what he needs to bring that level of education up so we can get these things accomplished," said Roselli.

Significant deficiencies (all are continued from the prior year)

a. Grant Reconciliation Process

Roselli said most of the schools they audit have their own records internally. For instance, a Title 1 Grant spreadsheet would be kept separately of the revenues and expenses. Monthly or quarterly, they sit with the Town Accountant and see what's on the general ledger to make sure they agree. The Town Accountant is only required to maintain these things in aggregate. The school is to maintain them split out. He does have some towns that don't maintain internal records and use the Town's records. If the Town is to do this, the general ledger has to conform to the federal reporting guidelines and separate records by each grant and year would need to be completed. The School was using the General Ledger but the GL was not conforming to the guidelines. He thinks the simplest thing to do is for the school to maintain their own records and reconcile with the Town.

What they found were a lot of grants going back a number of years; those need to be closed out. If they are not closed out, the money needs to be sent back to the state. They recommend the Town and School take on this large project and go through and determine if we can sort out what has been happening here the best we can. He understands prior to 2015 will be difficult. If we can't, then call the state Department of Education to come in and help and decide what we do with these deficits and surpluses.

Vine asked Mr. Roselli how much difference it would make having a specific dedicated grant's administrator for the district. Roselli replied the last time it was done correctly was when you had a grant's administrator. There are five or six grants with a lot of tracking and extra accounting and he can see one person getting over-burdened. It is one of their suggestions the Town go out and hire a grants coordinator or grants administrator. A lot of the salary can be charged back to the grant. A good one can bring more money in.

Murphy asked how much can be taken out of grants typically for administration. Ward believed it ranged from 1.5% to 3%. It can go up to 5% if grants are from outside the school. A little bit

from each one gives you a good chunk of change. Roselli also mentioned the School could collaborate with a neighboring town, do a cost sharing relationship.

Supt. Haddad noted they have someone to do grant administration. It is a stipend position. She will work directly with the Business Manager and with the administrator of each grant on a day to day basis. This is one of the things they have come up with to solve the problem. They will have monthly meetings for good communication. Haddad has reached out to Gardner to have some discussion on sharing a grant administrator. Mr. Ikonen is in the process of developing a grant reconciliation procedure handbook.

b. Ineligible Payroll Costs

Roselli talked about payroll expenses charged incorrectly to grant funds. This is more of a carryover from what happened before and believes was fixed during the exit conference last year. The last half of the year was done correctly and he expects it to be gone next year.

c. Timely Filing of Financial Reports

Roselli said the financial reports were filed late. These should be done and filed by the October 31st deadline.

d. Transactional Process

Roselli commented on the transactional process that started two to three years ago at a time when Munis was not working properly and everything just got put into the budget. At the end of the year, journal entries would be made back where pockets of money were found. He advised the school should be charging where the expense goes from the onset. He expects that also to be completely gone in FY18.

e. Compensated Absences Calculation Procedures (update of prior year finding)

Roselli said in the past this has been done badly. It's been done by different people, different spreadsheets and was a mess and unreliable. The School took a step and went to Frontline software which tracks people's time and attendance, recruiting, hiring; it's a good database. The School hasn't been able to monetize that though to have accurate data. It's a challenging process. The Town does a nice job in doing this and the Assistant Town Accountant will be helping in the School's process. Ikonen said they have hired the Asst. Town Accountant to help with payroll and she has taken on the compensated absences.

f. Qualifying Plan

Roselli stated that two elementary schools do not have school wide plans so they put together the elements and components compiled through reviewing other schools to see what is needed. Supt. Haddad said the grants administrator person will be working with both elementary schools and the Business Manager so this finding goes away.

g. Changes to Single Audit Requirement

Roselli said a couple years ago the federal government implemented new audit requirements that towns should have documentation on their internal controls they have in place for managing grants. Two of the frameworks mentioned are the Green Book and COSO. COSO has been used by many public companies. There is some grace period because it can't be done overnight. This is more of a small finding that could rise to a larger level. He noted Weston has a nice one online and a good one for us to customize. He'd like to see this in manual or electronic form or at least steps made to start to fix this by the end of this year.

h. End of Year Report (update from prior year finding)

Roselli said there were some fairly large errors. This report is a complicated report and relies on your systems. The systems here have had workarounds and he's not surprised there were findings. The school should be amending in the system the things that have been listed wrong in the audit so the state has a clean copy. That wasn't done for FY17. If not done, it needs to be and offered assistance from his office.

In FY17, Roselli said they found similar errors that need to be adjusted. He thinks the Indirect Cost may have been put in twice because there was a \$3,000,000 error. It's an easy correction but the state is sitting there with a major number that they use for Chapter 70 money and other things. Roselli understands that the Abrahams group will be involved assisting the school and helping with Munis. He said we were talking to the right people who have experience.

Ikonen offered that he has had conversations with Jay Sullivan at DESE and has been given until June to make those amendments to the End of Year reports with the assistance of Mark and his group.

Robichaud asked about the Munis bridges if it was the nature of the beast or does Munis have to be updated. Ward replied that Munis has been updated, but not up to the latest edition because those work-a-rounds are working and giving them the information needed in a timely fashion.

Ward noted that Roselli has done a grant spreadsheet above the work for the audits that we can capitalize on and have a framework to work with.

IV. DEPARTMENTAL REVIEWS

Roselli said typically we don't go this deep in audits but offered it to go into two departments a year where we go in a little deeper. We did the Fire and Police Departments last August and a lot of these are being fixed. He said both individuals do a great job over at the Fire and Police Departments. They were very receptive to any comments he had and were willing to work to improve what they have. It was great to work with both of them.

A. Fire Department

Financial Activities

Roselli pointed out in his Management Letter the snapshot of ambulance revenues for the last three years. There was a little bit of an uptick in 2015 and 2016 with increases in rates that were made and the addition of a part-time office clerk in 2017 that resulted in another slight increase in revenues. This is a positive trend.

One of the biggest findings was in the billing and collection process and the amounts greater than 180 days that continue to go up. Delinquent accounts are not gone after and not abated and were just left there. We know some will never be collected with people passing away or moving away. They had made a recommendation that the Fire Dept. create a policy for abatements. Barbaro said the Fire Department hired an outside agency for collections and they are looking at these older ones. The Board of Selectmen did right off a significant amount of money the last couple of years and once the agency has exhausted their efforts, we will most likely write off more. Collections are getting better. Roselli expects this to go down for FY18.

Roselli said prior to this year, the Fire Dept. did not have a way to track what runs they were losing to surrounding communities and in Town not having enough resources. They talked about

data that can be analyzed and measured against potentially bringing along another ambulance. The Dept. has software now that can track this to measure against a bond on a new ambulance.

Barbaro noted that the Fire Dept. has brought on three new Fire Fighters/EMTs and is now currently staffing two ambulances at all times. That was part of the SAFER grant to have them trained as EMTs. That is underway and believes the training is done. This will allow our ambulance service to do more runs and addresses the revenue flaw.

Roselli said the next topic is also a revenue generator. The Fire Chief provided him with a survey of surrounding communities. Seventeen ambulance departments were surveyed with the average fee for Basic Life Support, Advanced Life Support and the cost of mileage. Winchendon is below average on all three and ranks fifteenth out of seventeen in Basic Life Support, ninth in Advanced Life Support and fourteenth in mileage. It makes sense to look at the data and question if we should charge more for the service and that the majority of the fees are paid by insurance companies.

Barbaro informed the assembly that on the recommendation of the Fire Department, the Board did raise the fees recently and puts us now in the middle of the range.

Kane asked if changing the rate would impact what the Town would collect from the insurance company. Roselli replied that insurance companies have allowances and it is regulated. He thinks the Town is below the allowance.

Roselli noted the Fire Department at the time did not have good internal records for ambulance other than those that are provided by Coastal. They couldn't reconcile their revenues to the Town Accountant's general ledger. There is a new system now. The Chief was maintaining a excel record that will be more streamlined. Smart Station is the software which will allow the Chief to track revenues and has read only access to Munis and can verify the revenues are put in the right place.

Ward complimented the Fire Chief Tom Smith, saying he doesn't just come with the data but also comes with solutions. It is great working with him.

Vine asked about the amount of debt in terms of the \$250,000 that has to be written off in ambulance fees and was curious if there were any municipal ambulance services that run for profit. Roselli replied, no. He's sure the private companies do, but the public ones are more of a subsidy to the general fund to support the staff. It is the norm to run at a loss. He said also it is normal to write offs due to the nature of the beast.

B. Police Department

Process

Roselli said the Police Department runs a nice operation. The biggest problem he sees with many Police Departments in regards to Police Detail is the follow up because they are not accountants. He said that is not the case here and it is being done very well. There were three delinquent accounts that are all corrected now. One was a transposition error, the other was the state who is habitual late and the third was the School Department and that has been cleared up.

Observations

Roselli commented the IMC system is really nice. It shows total collections, you can print it but there was no reconciliation back to the Town Accountant. That is now being done. The Police Department can run their reports and have access to Munis and if an error is spotted, they can reach out to the Town Accountant.

The police details account had a deficit and is expected with the way it works with the officers being paid first before the money is collected. The Town has voted seed money of \$20,000 into the account. The deficit is gone now with the seed money in there.

Roselli said the delinquencies were so good, the police department felt they didn't need a policy. He suggested the Police Dept. have one and put what they were doing in writing and bring before the Selectmen to have it authorized and voted in. This has been done.

Roselli noted that a big deficit occurred at the end of the year due to using Ashburnham and Westminster police officers. These officers were paid through payroll before the Town was reimbursed. There is no upside for the Town to do this. The Police Dept. has since abolished that policy and out of town officers are paid through their town's payroll and send Winchendon a bill. This way you don't run up big deficits and don't run up liability on payroll.

Ward asked if there were any further questions for the Auditor. Nurmsen thanked Mr. Hickey for his transparency in managing this Town and allowing the audit to occur with the Department Heads. She felt it was important to understand everything that was happening in the departments and see the changes that are actually occurring. Roselli said they will be doing two departments a year.

Ward added that these small audits help a great deal and having someone like Mr. Roselli who knows the town, has the relationships with Departments to bring the tough love to make us better. She thanked the school for working the past couple weeks finding solutions after seeing the report.

2. MEMBER COMMENTS:

There were no comments from committee members when asked by Chairman Kane.

3. PUBLIC COMMENTS:

There were no public comments this evening.

4. ADJOURNMENT:

Chairman Kane called for a motion to adjourn; Orobello so moved. By a vote of all aye, the Finance Committee meeting was adjourned at 7:03 p.m.

Vine moved to adjourn the School Committee meeting; Nurmsen seconded. By a vote of all aye, the School Committee meeting was adjourned at 7:03 p.m.

Husselbee moved to adjourn the Board of Selectmen meeting; LaBrie seconded. By a vote of all aye, the Board of Selectmen meeting adjourned at 7:03 p.m.

Respectfully submitted,


Linda Daigle

Executive Assistant