

**TOWN OF WINCHENDON
JOINT MEETING
BOARD OF SELECTMEN, AUDIT COMMITTEE, SCHOOL COMMITTEE
AND FINANCE COMMITTEE
Monday, December 10, 2018
Town Hall, 2nd Floor Auditorium
109 Front Street, Winchendon, Mass.**

Board of Selectmen Members Present:

Audrey LaBrie, Chair
Barbara Anderson
Michael Barbaro

Keith R. Hickey, Town Manager
Joanne Goguen, Town Accountant
Linda Daigle, Executive Assistant

Absent: Austin Cyganiewicz, Vice-Chair

Audit Committee Members Present:

Maureen Ward, Chair
Michael Barbaro
Dawn Fronte
Roger Doucet
Dr. Chris Casavant

School Committee Members Present:

Greg Vine, Chair
Dawn Fronte, Vice-Chair
Larry Murphy
Felicia Nurmsen (7:15PM)
Roann Demanche

Joan Landers, Superintendent
Carolyn Hendricks, Administrative Assistant
Rich Ikonen, School Business Manager

Finance Committee Members Present:

Tom Kane, Chair
Maureen Ward Vice-Chair
Doug Delay
Christian Orobello
Charles Corts
Amy Salter
Charles Husselbee

Brianna Roberts, Recording Secretary

Special Guest:

Anthony Roselli, CPA
Roselli, Clark & Associates

List of Documents Presented at Meeting:

- Roselli, Clark & Associates Report on Examination of the Basic Financial Statements and Additional Information Year Ended June 30, 2018 (attached)
 - Roselli, Clark & Associates Management Letter Year Ended June 30, 2018 (attached)
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Chairwoman LaBrie called the Board of Selectmen meeting to order at 7:03 p.m.
Chairman Tom Kane called the Finance Committee meeting to order at 7:03 p.m.
Chairman Greg Vine called the School Committee meeting to order at 7:03 p.m.
Chairwoman Maureen Ward called the Audit Committee meeting to order at 7:05 p.m.

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

Announce audio/video recording disclosure: Doneen Durling announced she would be audio recording the meeting this evening.

LaBrie asked for all to rise for a moment of silence for the firefighters who lost their lives. All stood in silence.

LaBrie turned the meeting over to Maureen Ward, the Chair of the Audit Committee. Ward introduced the members of the Audit Committee. She introduced the Town's auditor, Mr. Tony Roselli, stating he has done a detailed thorough job. The first item on the agenda is the examination of the Basic Financial Statements.

1. NEW BUSINESS:

1.1 Audit Committee's Presentation on "Report on Examination of Basic Financial Statements and Additional Information Year Ended June 30, 2018" with Roselli, Clark and Associates, CPAs

Mr. Roselli spoke of the highlights of the report starting on Page 13, the Town's Balance Sheet, which shows a Total Fund Balance of \$3,241,381. Back in 2013, those numbers were deficits. The Town has made some diligent efforts to come back to numbers that make more sense. If you divide the Total Fund Balance by the General Fund expenses of \$31.4 million noted on Page 15, you are around 10%, which is a good place to be. The Bond rating agencies that come out to rate you when you go out to do debt have different tiers. The Town is in a Tier 2 range. The reserves are in a really nice spot.

The next important page, the Budget to Actual Report on Page 57, shows how you did in respect to the forecast at the beginning of the year. You will see that your revenues projected were beat by \$184,000 and he congratulated the Town Manager on the estimated number. Roselli noted in regards to the expenses, the Town was able to turn back about \$850,000. This allowed the Town to generate free cash. Most of the free cash went to pay off the Deficit Legislation Bond and will allow the Town to make that final bond payment on March 1st. He heard the Town had a nice celebration burning the deficit legislation note.

Roselli congratulated Winchendon and said, in the book of Winchendon, the chapter that began in 2012 has ended and the Town has gone full circle. There was applause from the group gathered. He is confident in the near future that he doesn't see it happening again with the systems and people now in place.

1.2 Audit Committee's Presentation of the FY18 Annual Audit Management Letter with Roselli, Clark and Associates, CPAs – Mr. Roselli reviewed the Management Letter.

I. OVERVIEW

Roselli explained they typically start the Management Letter with an overview to include the departmental reviews conducted that year. They looked at the Town Clerk's office and the School Lunch activities as the additional departments. In the beginning of the overview of the report, basically it echoes what he said about the bond and paying off the deficit legislation. He also

highlighted some new challenges, with the Superintendent's Office being vacant and having an Interim Superintendent, a new significant position and the Town Accountant, became vacant but fortunate the Assistant Accountant was there to step in. You have two new challenges with two different individuals occupying managerial positions. He also wanted to highlight more significant items, one being with the school which echoes the same findings in the prior two years and secondly a new set of findings, which unfortunately, will become material weaknesses and significant weaknesses that he will speak in detail about that deals with the Community Development funds. When asked if anyone had any questions or comments, there were none.

II. FINDINGS AND RECOMMENDATIONS

Maximizing Investment Returns

Roselli said this is not an indictment of the Treasurer's office and he is not licensed in investments, but this is more of "take a look" at what we are doing with the money, more than him telling us what to do. He noted that bank rates have gone up and we can earn more money on our investments. Most of our bank balances are under 1% and most between 0 and 0.5%. He spoke about trust funds and the Stabilization Fund and said we have a lot of excess cash now that we are building reserves and thought it important to work with the banks. MMDT is offering over 2%; liquid, safe and backed by the state that is a pooled fund. He recently saw CDs at 3% while doing banking recently. He noted this is just a reminder and that he has put this in every one of his management letters.

Abatements

Roselli noted that currently the Assessor's office is sending abatements solely to the Collector's Office and communicated to the Town Accountant by the Collector's Office. He recommended the information also be sent to the Town Accountant's office. There is nothing nefarious but just a better business practice and understands this has already been changed.

LaBrie asked if there were any questions, which there were none.

Departmental Turnovers

Roselli reported they did test twenty-five turnovers by the Building Department and found one isolated incident that appeared to be a typo.

Compensated Absences (update from prior year)

Roselli said this was a finding for about three or four years now for the Town and five or six years for the School. It has been fixed for both the Town and School.

There were no questions when asked by Mr. Roselli.

School Department

Roselli reviewed the things that have been corrected:

- Compensated absences
- Ineligible payroll costs have been fixed by the Town Accountant's office but the responsibility has gone back to the school.
- The practice of charging all school expenditures to the budget and at the end of year journaling back to the grant has been abolished and are being charged to the grants immediately now.

Kane said the Finance Committee has had some concerns this past several years with a lot of the practice having to do with charging salaries to the special education tuition accounts, and it continues. There shows large deficits in some of the special education tuition accounts and now there is grant money behind it, but in the meantime expenses and encumbrances are charged against the Town

account showing that negative balance. He asked if this should also be changed. Roselli explained that special education is different because a lot of your grants can go either way. Ikonen added that many of the expenses are encumbered right off the bat at the beginning of the fiscal year and that is why you see a negative balance. You will see those change now when we start paying off the invoices. Roselli said before everything was being charged to the school budget. The issue is making sure in total you have enough. SPED is unpredictable in this day and age; the ones that are obvious are being done at this point.

Roselli continued and said what still remains as a significant deficiency is the timely filing of the grant reports and secondly the grant reconciliation process. Last year they helped the Town and School putting together a big spreadsheet of every special revenue with identifying errors. The Town Accountant was working on it today and he was happy to see that. He understands the School is working with the Dept. of Education using this spreadsheet and asked for an update on where those discussions stand at this point. Ikonen responded as of today, we have submitted 17 of the FY16, FY17 and FY18 grants to the state. We have a couple amendments to make but they are happy with what we have given them and we are working on FY14, FY15 and adding to FY16. Roselli asked what is happening to not have this occur with the FY19 grants. Ikonen replied that they have put in place monthly meetings with all the stakeholders involved in all the grants to set a comprehensive plan of receiving the monies to show where we go and how we spend it and make sure we are not behind when the end of life span comes of that grant. Ward asked, looking at the grants of 2011 and on that he was cleaning up if he had to turn any money back to the state. Ikonen said he is working on FY14, FY15 and FY16 currently.

Roselli spoke of a couple of general findings that have been repeated from the schools involving two elementary schools that do not have school wide plans. He understands that is being resolved.

Roselli noted the Town needs to document their federal grant internal control work and that they have templates they can lend to the schools. He wanted the school to resolve the other issues first as this is a lengthy process. Right now this is a general finding and will be a new project to work on in the future.

Community Development Block Grant

Roselli said he didn't expect this and got blindsided by it. The town qualifies to receive CDBG federal grant money. For FY18 the award was for almost \$800,000 as part of the FY16 program. Smaller entities like Winchendon usually hire someone to handle these grants. Montachusett Regional Planning Commission (MRPC) is one of the agencies used in the Commonwealth and who the Town hired to run the program. The process was horrific; one of the worse processes he's seen in the federal grant program. He mentioned one specific bidding process that appears that bidding laws might have been violated but after discussions with the Town, the vendor and MRPC, it was the result of sloppy record keeping. There were 21 material weaknesses found by DHCD who oversees this program. They came out to do their own audit and this is the combined findings. All are material weaknesses or significant deficiencies or compliance issues. There was a basket of problems that the Town has responded to DHCD and believes they have accepted the response. The Town has a new consultant in place. Ward clarified that it was not our Town offices that were sloppy but MRPC. The records were held off site; we couldn't review them. The Town has hired Breezeway Consulting firm who comes to town hall twice a week and the files are kept here and they reconcile with the Town. Orbello was concerned with this grant being competitive if it would affect our future grants. Hickey replied that he had conversations with DHCD and because we addressed it immediately, we wouldn't be penalized.

Orbello asked with seeing the loss of several funds in the past years, with funds having to be sent back, has there been a cost analysis to hire a community wide grant manager that could be looked at. Hickey replied it has not been looked at and he'd have to speak with the Superintendent to have one grant administrator for both school and town grants and certainly look at it. One of the challenges is the CDBG grant is large, it is competitive and we can't promise any long term employment because it is a year to year grant. He would have to speak with Ms. Landers and see if one individual could handle both the School and the Town. Roselli thought this was a good point and a good idea. He also suggested regionalizing with another town or two and get someone that is just a grant writer. He thinks it's worth exploring and with our demographics, we would qualify for grants.

Kane said he took a cursory look of the audit by DHCD; it spoke of a management plan, recognizing contracted agency to manage the grant and asked what kind of oversight we had. Was there a plan set up that was clear in the terms of responsibility of the Town and the responsibility of the agency in regards to communications? Was that communication going on working with MRPC and if not, should it have been. Roselli replied, "Obviously not; you folks own the grant." Kane said the Town is responsible for the grant. Roselli said many towns hire this agency that is recommended by the state. "You assume the proper work is done. This is a situation of live and learn." Orbello would like to look at mixed averages and see the statistics of hiring someone.

Vine asked if this played a role in the Town being denied in the last CDBG grant application that was applied for. Hickey replied that DHCD said we were not denied based on the performance of the grant we are speaking about now.

Murphy asked if nothing nefarious or unlawful with MRPC was found and if it was just sloppiness. Roselli replied he hasn't found anything that DHCD is pursuing a civil or criminal problem. Murphy asked how much we paid them and if we could get any money back. Hickey replied that they have returned some money to us, but the majority is not coming back.

Nurmsen said we obviously have a grant problem; we don't want to look back, but look forward. What could we potentially have and how to manage that expectation of the person we hire. If not, you fire them and move on. There is a second piece to this when you hire a consultant; you can put in a performance clause and if not obtained, you get a partial piece that is paid out.

LaBrie said there is no question this is something we need to pursue and agrees and understands but for the moment, its best to keep moving forward.

There were no further questions asked, when LaBrie asked.

IV. DEPARTMENTAL REVIEWS

Roselli said they reviewed the School Lunch Program and the Town Clerk's office this year and both are running fairly well.

A. School Lunch Program

Chartwells assist the Town with running the School Lunch Program. They are a firm that does this service statewide for school cafeterias. In the prior year, there was a deficit of about \$30,000 so they wanted to figure out why that occurred. Revenues bumped in FY18 by about \$150,000. The revenues went up by adding in the "classroom breakfast program" that was free to participate and funded by the federal government. They also added an "after school supper program" that is also free to participants and reimbursed by the federal government. The Town also received a whole grain waiver which

increased the participation in the program. User fees went up and the federal income money went way up. The combination of these items supported the deficit and running of the program.

Controls

Roselli noted there were a number of controls and reviewed the twelve listed in the report. He recommended the schools either change the policy manual which states each school should have a safe or to purchase two safes for the schools that don't have them.

He suggested the Treasurer when receiving the School's online sales for the lunch program send the information to the School Dept. so they have a complete set of records. He would also like to see as a better business practice, the School Dept. process the turnovers to the Town Accountant and send a copy to the Treasurer instead of the Town Treasurer doing the turnover.

He recommended duties should be separate for the individual who empties the cash from the vending machine and the individual who refills the vending machine and balances this to the cash removed from the machine.

He recommends the Cafeteria Bank account maintained by the Treasurer be trued up more than once a year.

His final recommendation was that the School Business Office, at least quarterly, spot check audit Chartwell bills by reviewing all supporting back up.

Town Clerk

Roselli said the Town Clerk's office received five stars saying it was the best run Town Clerk's office he's audited. He said the office has collected more money for dog licenses than bigger towns due to a new software program she is using. Every time someone goes to a Vet for a rabies shot, they have to send a report to Town Hall. Most towns put the paper in a "to do" that piles up and gets shredded at the end of the year. The Town Clerk's office enters everyone in the computer and the follow up is good. He worked with the Town Clerk to export the data from the software to excel to calculate the fees collected. The difference was \$2,311 in the positive but they weren't overly concerned and expected some kinks. The next audit, they will go back and see if they are doing what he taught them to do. He also recommends the Excel schedule be reconciled to the Town Accountant's general ledger at year end.

Orbello mentioned he would like to see a software program that can be accessed by residents, sort of a dashboard, of what all our departments are doing to bring in some sense of pride to the community.

Vine thanked Roselli and Clark and members of the Audit Committee for doing an important job in terms of keeping everyone honest in Town and improving our efficiency and giving us ways all departments in Town do things so we can all, as elected officials, have better responsibility to the taxpayers with the audits.

Orbello felt the same and believes Mr. Roselli really understands the community saying "we are lucky to have him."

Barbaro, addressing Mr. Roselli, said "You make recommendations to this community and our Department Heads take them to heart. We have seen all these findings disappearing at a rapid rate." He wanted to thank the Town's staff who is doing all this work and keeping the Town running better

than it's ever been and continuing to move forward. He thanked Mr. Roselli for making recommendations they can grab on and pull through.

1.3 Proposed FY20 Town Meeting Schedule

Hickey spoke of the draft May Town Meeting schedule. He asked if the Finance Committee and the School Committee could review the dates proposed and let him know so he could finalize the schedule. Anderson asked if the Board of Selectmen could either meet after the Finance Committee meetings on the budgets and warrants or have a Joint Meeting. She values the Committees input and expertise. Hickey said he would reach out to Town Counsel to see if it is allowed with our Town Charter.

2. **MEMBER COMMENTS:** There were no other Member Comments.

3. **PUBLIC COMMENTS:** There were no Public Comments this evening.

4. **ADJOURNMENT:**

Barbaro moved to adjourn; Anderson seconded. By a vote of all aye, the Board of Selectmen adjourned at 8:20 p.m.

Respectfully submitted,



Linda Daigle
Executive Assistant

