

DRAFT
STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD
REGULAR MEETING MINUTES

Meeting Date and Time: Wednesday, November 3, 2021 10:00 AM –12:00 PM

Meeting Location: This was a virtual meeting. Meeting materials can be found at <https://portal.ct.gov/OPM/Marb/Full-Board-Meetings-and-Materials>

Call-in Instructions: Telephone 1 860-840-2075
Meeting ID: 363 957 69

Members in Attendance: Secretary McCaw, Christine Shaw (State Treasurer designee), Matthew Brokman, Patrick Egan, Stephen Falcigno, Thomas Hamilton, Sal Luciano (joined after adoption of minutes), David Biller, Mark Waxenberg (joined after adoption of minutes), Robert White

Municipal Officials in Attendance: First Selectman Cheryl Blanchard, Mayor Rossi, Frank Cieplinski, Mayor Bronin, Jennifer Hockenull, Leigh Ann Ralls, Assistant Fire Chief Daniel Reilly

OPM Staff in Attendance: Michael Milone (OPM Liaison), Julian Freund

I. Call to Order & Opening Remarks by Secretary Melissa McCaw and Treasurer Shawn Wooden

The meeting was called to order at 10:02 AM.

II. Public Comment Period

There was no public comment.

III. Approval of Minutes:

a. October 6, 2021 Regular Meeting

Mr. Biller made a motion to approve the minutes with a second by Ms. Shaw. One correction to the minutes was noted to include Mr. White as an attendee of the October 6 meeting. With that correction, the minutes were approved by a vote of 7-0-1, with Mr. Hamilton abstaining.

IV. Town of Sprague

a. Subcommittee update

The Sprague Subcommittee did not meet in October. The next Subcommittee meeting is scheduled for November 18.

b. Review and discussion: Monthly Financial Report: September 2021

First Selectman Cheryl Blanchard reported that the Town's revenues and expenditures as of September 30 are in alignment with prior year actuals. She added that the Town expended \$44,000 to repair roads that were washed out during hurricane Ida. FEMA funding may offset those costs. If the FEMA funds are not forthcoming, the cost of the road repairs will be carried by the budgeted surplus.

V. City of West Haven

a. Subcommittee Update

Secretary McCaw reminded the board that OPM has contracted with CohnReznick to conduct an audit of the City's use of Covid Relief Funds. She advised the City to be timely in responding to CohnReznick's requests for information. The Subcommittee met on October 19 to discuss an update on the fire districts and several open items including vacant positions and the FY 2021 Memorandum of Agreement.

Mr. Biller asked about a property on the shoreline that has been leased to a brewery and whether that agreement would be brought before the MARB. Secretary McCaw said that some additional detail from the City is needed before determining whether the item would come to the board. Mayor Rossi said that the lease has not been drawn up yet. The business still needs to go before City Council for approval.

b. Review and discussion: Update on FY 2021 MOA

Secretary McCaw reminded board members that the City has been asked consistently at monthly Subcommittee meetings about how it will comply with various requirements in the Memorandum of Agreement between the City and OPM. At least the last two financial audits have contained internal control weaknesses in several areas. Of the fifteen findings in the FY 2019 audit, about seven have been closed out. The FY 2020 audit contained approximately seven findings. The City has been repeatedly pushed to fill key positions in the Finance Department, as required in section 12 of the MOA. Requests for updates have been consistently made at Subcommittee meetings regarding the City's corrective action plan and progress on resolving audit findings, which is required by Sections 8 and 9 of the MOA. The Subcommittee has also addressed training issues with the City's financial system. This is also a requirement in the MOA. In a letter from the Secretary to the City on September 17, and again at the October 6 MARB meeting, the City was directed to provide a plan for closing out remaining open MOA items. The City has submitted a collection of attachments related to the MOA and various action plan items. However, none of these documents address a plan, date when we can expect items will be locked down, and confirmation of execution. Part of the CohnReznick audit will look at the extent to which internal control weaknesses contributed to the misuse of funds, if any. The continued lack of compliance with these items puts the MOA and the distribution of Municipal Restructuring Funds in jeopardy. The City must compile each of the remaining items into a reporting format that describes

what steps will be taken, what positions need to be hired, when they will be hired and deadlines by which the open items will be locked down.

Mr. Falcigno said that no funds should be distributed to the City until audits are complete and fiscal mechanics have been shored up.

Mr. White suggested that if CohnReznick finds that delays in implementing required measures has contributed to any misuse of funds, that is very serious and undercuts any progress made by the City over the last couple of years.

Mr. Egan asked about signatory authority. Mr. Cieplinski explained that departments review bills incurred by their departments and sign off on payment. As long as a signature is on the form, charge numbers on where to apply the cost, and the values on the invoice and the approval match, Finance signs off on having the check cut. Members and the City discussed the processing of payments for Covid related expenses. Secretary McCaw indicated that these are the types of issues and questions that will be covered by the CohnReznick audit, and the resulting report will be provided to the board.

Mr. Hamilton agreed with prior comments suggesting that any further distribution of restructuring fund payments be withheld pending the outcome of the audit. Secretary McCaw noted that the current MOA supports the withholding of funds until the requirements of the MOA are met. Ms. Shaw supported the withholding of restructuring funds pending the results of the audit. Mr. Brokman also supported withholding restructuring funds and asked about the timing of the audit. Secretary McCaw estimated the process would likely take at least two months.

Ms. Shaw asked that the City continue to make progress on open MOA requirements even as the audit of the use of Covid Relief Funds proceeds. Mr. Cieplinski said that a Purchasing consultant has been hired by the City to assist with the Purchasing process and he has sought data on staffing levels in similar municipalities to help determine whether to request additional procurement staffing in the next budget. Mayor Rossi added that the City may not wait for the next budget cycle to add positions. Secretary McCaw agreed and noted that there are existing positions that still need to be filled and the City must take steps to fill vacant positions and present a plan for any additional positions needed. Mr. Cieplinski noted that the Accounts Payable position has been posted. Members discussed open positions and directed the City to provide a timeline for filling current vacancies.

Mr. Cieplinski discussed inconsistencies in compliance from departments with policies and procedures when they are modified to improve internal controls. Members asked about the support of the Mayor in helping the Finance Director enforce purchasing procedures. The mayor said that she supports the Finance Director in these efforts. Mr. White asked that the CR audit investigate the possibility that a lax system is having an impact on the City other than in ways that have been publicized.

Ms. Shaw raised the possibility of a greater degree of intervention by the MARB. Mr. Brokman agreed that more intensive intervention may be appropriate. Mr. Waxenberg suggested that if the results of the audit suggest greater intervention, the MARB should be prepared to do so.

Secretary McCaw noted that the board has recognized progress of a financial nature that the City has made. However, the necessary work to strengthen internal financial infrastructure must accompany financial progress in order to be sustainable.

c. Review and discussion: Monthly Financial Report: September 2021

Mr. Cieplinski provided an overview of the written monthly financial report. He noted that revenues reflect the additional PILOT grant adopted in the State budget. He is also taking a closer look at overtime expenses which appear to be running high for this point in the year. No significant variances are projected in the General Fund monthly report, other than the additional PILOT revenue. Additional revenue from PILOT is also projected for the Allingtown Fire Fund. No variances are projected for the Sewer Fund.

Secretary McCaw asked the Mayor to ensure that the Finance Department is adequately staffed to address all of the expectations of the MARB as well as the demand of the annual audit and the additional forensic audit.

Mr. Egan asked for five years of actual overtime earnings by department directors and deputy department directors. Secretary McCaw said that the forensic audit currently underway would address overtime earned by exempt employees, and that steps will be taken to ensure that a look-back of several years will be part of the final report. The final report will be shared with all board members.

Mr. Cieplinski said he would appreciate any assistance the MARB can provide in making needed changes to internal controls. Secretary McCaw replied that the MARB will be supportive of those efforts.

VI. City of Hartford

a. Subcommittee Update

A written update was provided with the meeting materials. Mr. Waxenberg raised concerns with several aspects of the Hartford school district's method of funding employee health benefits including using a fully insured equivalent rate for self-insured budgeting purposes. He said that employees are paying more than they would if they were in the State Partnership health plan and the District is budgeting millions more than necessary based on questionable information. His belief is that self-insured plans are used for the purpose of creating surpluses by over-budgeting. Employees in one bargaining unit have been without a contract for five years, which is one of eight bargaining units without a current contract. Secretary McCaw said that further analysis of the district's health insurance benefits should determine what is the proper base for comparing self-insured costs to the State Partnership health plan, what the employee premium share is based on, and the use of a fully insured equivalent rate for budgeting purposes.

b. Review and discussion: Monthly Financial Report: September 2021

Mayor Bronin reported that the current report reflects the additional PILOT grant which is about \$11 million higher than budgeted. He indicated that the additional revenue would be directed to capital investment. The negative variance that appears in the payroll and benefits categories are expected to be eliminated as the City recognizes attrition savings over the course of the year. Secretary McCaw asked if the corporate contribution is still in effect. Mayor Bronin said that the commitment extends for one additional fiscal year beyond the current year. The contribution will be going fully to the

construction of two library branches that are part of the ARPA plan. That revenue will be backfilled with revenue replacement funds from ARPA. Secretary McCaw asked about overtime funding. Ms. Hockenull said that some of the spending is attributable to vacation time taken at the beginning of the year.

Mayor Bronin alerted the board to concerns with attrition in the Police Department and increased pressure resulting from other municipalities' recruitment efforts. He indicated that it is a threat to operations and expressed concern that if the State Police look to local departments to fill vacancies, it would exacerbate the situation. He hopes that deliberate efforts will be made to avoid such a situation. Mr. Luciano noted the impact of elimination of defined benefits retirement plans in some departments. Mr. Waxenberg added that there are issues beyond monetary compensation that influence employees' career decisions.

c. Review and discussion: Non-labor contracts:

i. Greenwood Emergency Vehicles LLC

Ms. Hockenull and Assistant Chief Reilly explained that the contract is for the acquisition of a ladder vehicle for the Fire Department at a cost of \$815,000. The vehicle is funded out of the vehicles and technology equipment fund. The contract was competitively bid.

VII. Other Business

a. Review and discussion: 2022 Calendar

Secretary McCaw advised members that a draft 2022 calendar will be distributed soon. Members are asked to review the calendar and provide feedback to OPM staff in advance of the next MARB meeting. Action on the calendar will be taken at the December meeting.

VIII. Adjourn

Mr. Biller made a motion to adjourn with a second by Mr. Brokman. The meeting adjourned at 11:35 AM.