

**Prospect Town Council
Special Meeting
Unapproved Minutes
Wednesday, September 09, 2020**

The (Virtual) Special Meeting of the Prospect Town Council was called to order by Chairman Jeff Slapikas @ 5:38 p.m. and commenced with the Pledge of Allegiance. The meeting was recorded.

Members Present: Jeff Slapikas, Stan Pilat, Pat Geary, Theresa Graveline, Megan Patchkofsky, Paul Murray, Larry Fitzgerald attended meeting at 5:53 p.m.

Members Absent: Rich Blanc and Stephanie Lusas-Kolodziej

J. Slapikas and M. Patchkofsky had a discussion with the Mayor. M. Patchkofsky thinks we should figure out where the money should come from out of the budget for the audit. J. Slapikas stated that the Council has a “Contingency” line item; the cost should come out of that. The Council can then work with the Mayors office to determine where the remaining amount should come from. (ex. “General Fund” or “Overage”) T. Graveline agrees. P. Geary would like to leave some kind of balance in the Council’s account; J. Slapikas stated the money is usually used for something per request by the Mayor’s office. M. Patchkofsky stated that at the end of the year we typically transfer the money out of it. T. Graveline explained that the Council/Town would be billed throughout the process, not all at once. P. Murray agrees the monies should come from the Town Council “Contingency Fund” and then go from there. J. Slapikas also stated there may be a surplus due to the Town offices being for business multiple months throughout this year.

Interviews:

6:00 p.m. Timothy Doyle-Bonadio Group

J. Slapikas stated he had a phone conversation with Timothy Doyle regarding what the Council is looking for. J. Slapikas stated that the Council needs to be kept informed and it needs to be coordinated with them. He listed the 5 selected questions the Council put together:

1. *What is the approximate timeline of the audit review?*

Timothy Doyle stated there are multiple years that the Council wants looked into. Bonadio could come out as early as November. (At this point they are scheduled through Oct.) They can start with the process of interviewing certain key people and complete some data gathering. They do have the ability to do things remotely or on site depending on the situation. The firm would start inquiries with the Council, the Mayor, Clerks etc. to gain an understanding of the controls of the Town. From there they establish a risk assessment. Provided all records are available they would complete the risk assessment by Dec 31st, 2020. Bonadio would then determine the weaknesses and strengths. They would then test the years in the RFP and perform additional tests throughout. They would conduct small tests of different transactions to get a feel for everything, then more focused testing. J. Slapikas asked what their entire completion time would be. Timothy Doyle asked how available the records that will be needed are. Are they easily accessible? J. Slapikas stated he would hope all records are available on premises. Timothy Doyle stated if that is the case their completion date would be no later than March 31st 2021.

2. *Are you intending to have more physical presence at the Town Hall or more done at the firm’s location?*

Timothy Doyle stated that as of recently clients are allowing them to come out to their offices. They will ask what the procedures in place for social distancing are, masks, temperature check, self-reporting, any concerns etc. As long as the Town has good controls they have no problem being on site. They do offer use of a portal and the Town will be asked that they provide information &

reporting through the portal if possible. Some clients provide everything on portal. The firm can work with us to scan and upload to the portal and be on site as long as safeguards are in place.

3. *Who needs to access the client portal? What resources are needed? Will the Town need additional help on their side?* J. Slapikas stated that the Mayor's office has one full time and 3 part time employees. The use of the client portal may interfere with the staff's everyday duties. Timothy Doyle stated that the firm will ask for very focused items and information. It won't take a lot of time. He asked if the staff will be supportive in those requests. They may look at it and determine they need a part time person to come in and assist the Office Manager in supplying what is needed so they can get their everyday work done. Tim Doyle will be making inquiries, asking questions etc.
4. There is a large amount of paperwork in the Town. Do any documents leave the Town Hall and if so are they returned?
Tim Doyle stated they never take any documents off premise. They may take the document and scan it but they will not take any client documents off site.
5. There are 26-29 accounts in the Town of Prospect; Can the Town Council determine specific accounts that need to be looked at? And how many accounts are going to be looked at?
Tim Doyle stated that they are serving the Council so they can give them direction. 26-29 accounts aren't a lot of accounts for a municipality. It will depend on the accounts and if there is a lot of activity. They will look at bank statements to determine that activity. The firm will keep the Council involved.

Timothy Doyle reviewed the slides on Bonadio's presentation. They have works with 4 Towns closer to Prospect's size, some smaller, some larger. His team does nothing but government audits all year long. They complete 100 internal audits each year and 18 IT risk assessments. The report will be a combination of findings and efficiencies.

J. Slapikas asked if the Council Members have any questions. L. Fitzgerald asked about what training will be provided. Is this training in setting up internal policies? Can you explain more on the training side and how it would it be provided? Tim Doyle stated it could be virtual, a webinar, on site or a meeting with a group of clients. The content would be cyber security, trainings in person or webinar of upcoming accounting standards etc. They recently did a work shop on cash procedures and internal controls on cash collections. They scope the Towns need and whether it is specific or general. P. Murray stated that he was very impressed by the initial proposal and he has no questions. T. Graveline asked if there are any other services included in what they are doing for the Town. Tim Doyle stated it is all included; the efficiency study is provided as part of their report. IT is included however there are additional things that can be done as a cyber audit. The firm will talk to staff and get an idea of the IT environment. If the Town has a network and they want to see if it is safe they would do penetration testing to see if they can pierce the firewall. The assessment would all be included; Education and training generally would be separate but it would depend on where they are in with the budget. T. Graveline stated there is some capability to receive digital forms from Town but most of it is paper. What is the process? Will the paperwork be given to the firms staff and scanned or is the Towns staff scanning and providing it through the portal. Tim Doyle stated they don't want to burden anyone. If it is simple and quick they will ask for the Towns staff to scan it. If it is a lot the firm will definitely scan it. T. Graveline also asked since they are coming from New York how often would they be on site? How many people would be coming and what is the travel expense? Tim Doyle stated that they will be working out of their New York office. Most of the staff are within an hour of Prospect. There would be day trips, no overnight stays. In general during the risk assessment process they would be on site for about 5-10 days; 3 days at a time. Everyone will know what they need ahead of time. The Towns staff will have time to put things together. P. Geary stated she is impressed with presentation. She asked if it's better for the Council to wait until the audit is started or direct the firm to specific accounts they want paid more attention to? Tim Doyle stated both options have positives. They would still do

an overall risk assessment. It is always best for the auditor to know what the concerns are. It will give them a sense of the potential issues. They could go in cold and learn as they interview. M. Patchkofsky asked based on what the Council has talked about tonight and specific areas, will this change the timeline or cost. Also, if they focus on certain areas will they still get the larger picture? Tim Doyle stated he doesn't think it will change the timeline or cost. They have an approach and they are confident in the approach, fee and timeframe. The only thing he doesn't know is how proactive the staff will be in providing information. J. Slapikas asked if the quick overview from tonight shed light on what they are looking for. Tim stated that it does. He wants to work with us and build Connecticut's base. J. Slapikas would like to see if any scheduled visits can be sent to him to ensure the necessary people will be available and will have time. Tim Doyle said they can coordinate their schedules. T. Graveline asked for clarification in Bonadio's proposal page 22. It talks about reporting and recommendations: "Assist town in implementation of procedures to ensure effectiveness of internal controls vs. page 30 "the auditors are not able to be involved in policy or process creation". Tim stated that the Town Council is who approves creating policies and procedures. The firm can help create and craft policy. S. Pilat stated the Council will make sure staff is available to provide whatever information is needed. T. Graveline stated that Annual reports are done for all years. In general they Council was hoping the firm would assess them as far as if they are done well enough. Should they be asking for something else going forward? She doesn't understand how discrepancies' through several years could have been missed. What else should they be requesting? Tim Doyle stated they will set up meetings with the Town's financial statement auditors. They will discuss their approach, review reports and ensure the Town is meeting all of the new standards. There will be a financial reporting section in the risk assessment.

5 minutes recess 6:50 p.m.

7:10 Paul Centofanti-PFKOD

Paul gave a brief overview of himself and the firm. They have been conducting unicipal auditing and consulting for over 30 years; Mostly in CT. They have worked with over 100 different towns or government entities. Their experience is pretty broad with smaller towns as well as larger towns. Communication and working with the Council is standard during this process. The information always comes back to them. PFKOD finds it valuable to come in and get a better understanding and then get a more specific scope on which funds, accounts etc. need to be looked at.

J. Slapikas reread his letter and the 5 questions:

1. *What is the approximate time line for the audit start and completion?*

Paul Centofanti it will take about 30-45 days from the engagement to get the process started. Then it would take somewhere between 4-6 months, possibly longer; a lot of it depends on information flow.

2. *Are you intending to have physical presence at the Town Hall?*

Paul stated his firm will follow the Towns protocol as far as what their preferences are. A lot of it also depends on how they are going to access information. Will someone scan the documents needed or will the firm need to come out and look at them? They do follow state protocols when coming in (ex. masks etc.) The initial work would be done at their location. They would then look at invoices, conduct interviews, internal patrol and risk assessments which work much better in person. The Town can take the lead on how much they want the firm on site to be as efficient as they can.

3. *Who needs access to the client portal? What resources are needed on the Towns end? Will they be needed additional help on the Towns side?*

Paul stated the portal is simple to use. There is a link you click on and then drop and drag the information. The use of the portal and setting it up is simple as well. The need for additional resources would depend on how much they will be on site.

4. *Do any documents leave the Town Hall and if so are they returned?*

Paul stated they normally do not take original documents from the building. They are either reviewed or scanned on site.

5. *Can the Council determine the accounts that are specifically looked at? And how many accounts do they plan on looking at? TheyTown has approx. 26-29 accounts. 26-29 accounts.*

Paul stated the Council can drive what accounts need to be focused on. They can discuss any concerns, risks etc. The firm will have better information once they interview and understand the Towns process and get a better perspective. The Councils input would be valuable in making it an efficient process. They will then rank and prioritize their recommendations.

P. Murray asked how many people will be involved from the firm. Paul Centofanti stated that there will be other staff involved. P. Murray also asked what the ultimate cost would be or approximate cost. Is there a better idea they can get as far as total engagement cost? Paul stated that a lot of it depends on what the Council is comfortable with. He can work with whatever number and adjust. It would be easier to work with a budget and determine what needs to be accomplished. The current project they are working on is 3 years of information and it's about \$35,000; Prospect is asking for 6 years but it really depends on the scope. P. Murray asked about the work from the Town of North Haven on page 5 of PFKOD presentation. How long ago was that done? And what precipitated that engagement? How long did that project take? Paul Centofanti stated there was fraudulent activity in the Community Services Dept. and Park and Rec. They were both managed by the same department head. They initially went in as determined what went wrong and how. Then they were hired as an outsourced internal audit. It was done over a number of years. They structured it to budget \$15,000 a year and they would address different areas each year. Southbury was very similar. They went through all the departments over a 6 year period. Prospect is looking to have everything looked at more at once. T. Graveline asked what they mean by "the scope was outsourced internal audit work". Paul stated that a lot of larger towns have internal auditors that work for the town. They are town employees and their job is to do internal audits. "Outsourced" means he and his firm don't work for the town. The Town is hiring then as a consultant. T. Graveline asked about client portal access. Will their staff come to Town Hall and provided a list of documents and other info. they are looking for prior to arrival? Does their staff scan and upload or is that something the Town will need to set up staff to do? Paul stated that a lot of the information comes right from general ledger or whatever the towns accounting system is. A lot of those reports can be uploaded to PDF and emailed immediately. A lot of the info. the firm will need will be available electronically without needing to be scanned. The firm can help town staff run reports and upload, set up the portal etc. P. Geary asked what specifically the firm will be doing. The Town does have an auditor that they hire to come in and complete a financial statement audit every year. They are looking for more of an audit re: risk management and internal controls. They want the firm to evaluate and identify efficiencies and help resolve any of these deficiencies. What kind of audit are they looking to do? She asked for more specific information as far as their process. Paul stated they would not be doing a financial audit. ; Their process is different. It would be more much detailed than the financial statement audit the Town has done. P. Geary asked what he would think about the Council directing them to certain areas they would like looked at more specifically. Paul stated that would be very helpful. P. Geary asked if they would make recommendations to resolve/eliminate the risks. Paul stated yes they would. They would ensure the Town is going by "Best Practices". J. Slapikas discussed the overview from phone call and tonight's meeting. Does this shed light on what the Town is looking for? Paul stated that in general he is clear that there are specific areas that will need to be focused on. J. Slapikas asked if the visits to the Town Hall can it be coordinated with him to make sure they aren't wasting their time and the staff needed are available or they are able to look for info. the firm is looking for ahead of time. Paul stated that the Council can designate anyone they want the firm to communicate with. They will also send progress reports as well. T. Graveline asked how often during the process does the firm actually keep the council apprised of their progress. Paul stated it is up to the Council. It Could be every Friday and then, every two weeks after that etc. At the beginning of the process a lot more is going on.

Public Participation: None

Discussion:

S. Pilat stated he would like to have a little more time to think about everything discussed tonight. L. Fitzgerald stated that Bonadio seemed to have more of an idea on what the Town is looking for. They had a more precise price etc. He feels that they came in with a plan of operation and they were spot on. T. Graveline agrees with L. Fitzgerald. Bonadio has a clear plan and there was an uncertain plan with PFKOD. She does believe that they can develop that plan but it does bother her that we have no idea of the cost. P. Murray stated he was more comfortable with Bonadio. His biggest concern was that they were too big for Prospect. He thinks they did a good job explaining that they work with small municipalities as well as larger one. Bonadio also came in more specific as far as how they will attack the whole project. P. Geary agrees with the other Council members; Bonadio was much more professional and much more prepared. They were both given the same information in the RFP. Bonadio looked for specifics in that presentation to develop the plan and cost. M. Patchkofsky asked what S. Pilat liked about PFKOD. He stated that he just wants to think a little more clearly instead of deciding tonight. L. Fitzgerald stated Bonadio didn't hesitate to say that he would have people scan documents etc. PFKOD seemed a little more hesitant. M. Patchkofsky stated it seemed there was much more open communication and plan with Bonadio. T. Graveline stated both firms have quite a lot of experience. She feels they can't go wrong with either firm. T. Graveline agrees that the Council should think about everything and not make a decision tonight. J. Slapikas stated he was initially leaning towards PFKOD, he spoke well on the phone etc. but he felt he was very ill prepared tonight. The Council will discuss at their regular meeting on Tuesday. T. Graveline asked if anyone has checked any of the references provided. J. Slapikas stated he spoke with references for both and they had no bad references and nothing but positive things to say about both firms. They were confident and no disappointment in their statements.

Motion made by P. Geary to place the discussion and possible vote on awarding the bid for the audit on Tuesday, September 14th, 2020 meeting agenda, **seconded** by L. Fitzgerald. M. Patchkofsky discussed what the practice is to award the bid and also to whom is not awarded the bid. Something official should be written up to thank them for the amount of time they put into their presentation etc. T. Graveline stated they do need a letter of engagement with whichever firm they decide to move forward with outlining expected fees, breakdown of travel expenses etc. P. Murray remembers somewhere in Bonadio's proposal travel expenses were included.

Unanimous.

The Council thanked J. Slapikas for the extra work, phone calls follow-up, setting up presentations etc.

Adjournment: **Motion** made by P. Murray, **seconded** by T. Graveline to adjourn the Special Virtual Meeting at 8:10 p.m. **Unanimous.**

Jeff Slapikas
Chairman