

August 14, 2020

Jeff Slapikas, Chairman
Prospect Town Council
36 Center Street
Prospect, Ct 06712

Dear Chairman Slapikas and Honorable Members of the Prospect Town Council:

On July 23rd I wrote to you recommending some changes to the Request for Proposal (RFP) and based upon what's currently presented on the Town website, it appears that you were able to incorporate some of them into that document before its distribution. As improving Prospect's financial transparency would hopefully be everyone's objective in this effort, I'd like to provide some additional unsolicited observations for the Council's consideration as they move ahead with vendor selection. In no particular sequence, these include:

- The 'Background' Section includes a variety of factual data which by its very nature (i.e. Prospect has 14.5 square miles and 9,548 residents) has absolutely nothing to do with any investigation of financially related topics. To my thinking, and being that this involves a somewhat unusual engagement, the Background Section should provide for its reading audience some insights as to what events may have precipitated this specific course of action. Even your basic 'scavenger hunt' starts with a list of the items you should be on the lookout for.
- While the state-mandated Annual Audit process complies with the defined requirements in the Connecticut Statutes, the Council has also heard that such efforts can sometimes be described as 'a snapshot taken from 30,000 feet'. If the currently requested activities only retrace the same steps involved in that annual process, it will quite logically arrive at the same conclusions. You've heard from each of our outside auditors that the 'Annual Audit Process' only looks deep enough to 'balance' expenditures at the 'Department' level, and this clearly failed to identify the types of reporting inaccuracies that were uncovered during the Town Council's 2017 Investigation. If the Council's intent is to now identify any 'issues' that apparently escaped earlier audit efforts, this project will likely require the use of more probative investigative techniques and perhaps a more 'surgical' approach to fact-finding; especially as all previously identified 'issues' were associated within a single department.
- For instance, the initial indication I had back in 2015 that 'something was wrong with the numbers' was an innocent newspaper article that presented the ten (10) highest paid municipal employees in several area towns. Because of their contracted hourly rate and owing to winter storms with a lot of hard-earned overtime, about half of 'Prospect's Top Ten' were Public Works employees. What caught my eye was the fact that the amount of what was provided to the Town Council on various Budget Reports as the 'Actual Public Works Salaries Paid' to the eight (8) Prospect Public Works employees was more than \$60,000 higher than eight (8) times the amount that was paid to the highest paid Public Works employee. On the surface, it appeared that \$60,000 of tax dollars previously approved for Public Works Salaries were apparently being spent on something else. My curiosity peaked when I asked the Mayor about how there could be a difference in those numbers, and was told that I didn't need to know and members of the Administration subsequently refused requests to provide any associated documentation, which lead directly to the 2017 Town Council Investigation.

- Since the Council's investigative efforts in 2017 successfully identified a number of 'issues' with what had been going on relative to the Town's recording of financial transactions, I'm not sure why the Council's findings were not even mentioned as part of the 'Background'. I could understand it if those items were limited to pure speculation and that the Council was now seeking a totally independent opinion, but why did whoever initially drafted the RFP purposefully omit such uncontested facts? I say 'uncontested' as the Mayor acknowledged that what he initially characterized as 'human errors' had actually occurred and that he would 'resolve' them. I'll also note that I don't believe any of the 'particulars' (i.e. who, what, when, etc) associated with those 'human errors' were ever documented. Further, no one on the Town Council apparently felt it necessary to follow-up on the Mayor's pledge to address those errors. Nor did the then Council Chairman see any need to reappoint the Audit Sub-Committee that originally did the groundwork to bring this matter to a head. Perhaps each of those three 'decisions' should also be included in this review process.
- It is common knowledge that despite several opportunities to do so, the Mayor's Office had never implemented what could be considered to be 'Documented Financial Procedures'. Therefore any effort to compare if actual transactions were processed using the 'Documented Financial Procedures' is nothing more than a 'Fool's Errand'. That however appears to be the 'intent' of what the RFP is requesting. Also, the initial omission of any reference to the 'Prospect Town Charter' in the RFP is equally concerning, especially as that document remains the closest thing there is to defining any 'business practices' that should have been adhered to, and where during the 2017 Town Council investigation several violations of its content were uncovered.
- While the 'Scope' of this external investigation needs to go wherever the findings take it, the selected vendor should be aware of certain 'accounting animosities' that have been practiced in Prospect and that over the years may have had an impact on various outcomes. These include situations where it was recently disclosed that some Annual Audits were performed by the same individual who also performed various accounting tasks for the Town during the year and which may have been subject to the Annual Audit. Understanding that it is generally considered unacceptable for any individual to 'audit' their own work product, this would also apply to at least one 'internal' Prospect Department where a single individual traditionally performed both the approval and the auditing tasks.

In summation, I'd ask the Council, 'Why initiate an investigation at this time, when three years ago this same elected body had documented findings, including a specific admission that things were not being done correctly?' and still a majority of the Council chose to do nothing. While I do support this RFP process, I'm concerned that as currently structured it may represent more of a 'placation' than a sincere attempt to uncover any 'unconventional' accounting practices that seem to have eluded our outside auditors in past years. Please let me know if you have any questions as I'm always available to help promote complete financial transparency in Prospect. I thank you for your attention.

As Always, Best Regards and Stay Healthy,

Thomas J. Galvin

Thomas J. Galvin
27 Rockridge Terrace
Prospect, CT 06712