1. ROLL CALL
The clerk called the roll and a quorum was determined to be present.

2. PLEDGE OF ALLEGIANCE
The group Pledged Allegiance to the Flag.

3. PRESENTATION BY POTENTIAL AUDITORS
Chairman Ecke stated that the committee would listen to presentations by the two companies selected, and make a decision on the auditor for the Town of Cheshire.

Joseph Centofanti, Kostin & Ruffkess distributed information on the highlights of his firm with regard to the proposal to be the auditors for the Town of Cheshire. Mr. Centofanti explained that his firm is one of the largest in New England with 130 employees, 20 of whom are in the Government Services Group, and the firm currently serves 25 municipal entities. The firm has experience with GFOA certification programs and has IT Assurance. Kostin & Ruffkess has a Fraud Services Group; has done 15 investigations; and provides evaluation of financial internal controls with fraud detection methodologies in its audit approach.

Kostin & Ruffkess provides services with access to technical and other advice year round, and has 20+ years of experience in auditing and consulting with municipal entities. The firm has an engagement team with experience, and would recommend both financial and operational efficiency advice, and is proactive with new standards and industry trends.

Mr. Centofanti noted that staff attend local, regional and national governmental accounting and auditing training, along with in-house seminars on Government Practice Set, Intermediate and Advanced Government Training Seminars.

The committee was informed by Mr. Centofanti that he serves on the Board of Finance in his hometown.
Mr. Falvey asked about the firm’s municipal clients and if they include both Town and Boards of Education.

In response, Mr. Centofanti said his firm services both sides, and has much experience with town and boards of education.

It was noted by Mr. Ecke that Kostin & Ruffkess was the auditor for the Town of Cheshire about 8 years ago. He said there was a rotation in the auditors because the Council wanted a fresh perspective, and the change was not due to any problems with this firm.

Mr. Masciani asked about the size of the engagement team for the audit, and how much time would be spent on the audit.

Mr. Centofanti explained that he would be the manager along with two other staff persons, and the time involved would depend on the work flow. If necessary, the team could be up to four people. The expected time frame for the entire audit would be about 600 to 700 hours. There would be the Federal single audit for federal money; the State of Connecticut mirrors the Federal legislation with a lower threshold; and, this year the State single audit has changed slightly.

Mr. Ecke asked about the largest municipality which Kostin & Ruffkess services, and if there would be a problem working Cheshire into the firm’s schedule.

Mr. Centofanti said that would be Fairfield, CT, and there would be no problem working Cheshire into the schedule.

On behalf of the committee and staff, Mr. Ecke thanked Mr. Centofanti for his presentation.

Ms. Ryan distributed a copy of the matrix schedule which showed the four firms that responded to the RFP. The two firms chosen met all of the criteria requested, including Connecticut experience, doing State single audits, other audit projects, and the number of hours and training. The low bidder did not have the experience the Town was looking for, and the 2nd lowest bidder had 4 staff people, submitted an inaccurate proposal by proposing on the 2004 audit, and the hours were not what would be expected.

Kostin & Ruffkess and McGladrey & Pullen have comprehensive Connecticut experience. McGladrey is a national firm and Kostin & Ruffkess is a regional firm.

(Mr. White entered the meeting at 7:21 p.m.)
In the McGladrey & Pullen proposal the first two years were submitted at the current price, and this is what was budgeted. This firm is the current auditor for the Town.

Ms. Ryan informed the committee that the Town is pleased with McGladrey & Pullen, and she has a concern about bringing in a new company, which would result in overtime for the Finance Department staff. This past fiscal year, the firm provided extra work and services to the Town, pro bono, in order to get the extension out by March 30th. The recommended practice is to keep an auditor for at least 5 years, and the usual range is 8 years.

Mr. Jaskot said Kostin & Ruffkess is a good firm, and the reason for keeping the firm was due to the Town going through GASB 34 implementation at that time.

Regarding the overtime requirement Mr. Falvey asked if this is work to bring everything up to speed with a new firm.

This is a factor and Ms. Ryan said she is sensitive to the overtime issues expressed by the Council.

With a new firm coming in, Mr. Ecke stated that there must be documentation of all the systems.

Ms. Ryan said this work takes time, and that with the Munis System, much of this would involve her time, but there will be backup and overtime will be required. Kostin & Ruffkess talks about an internal control system and this could be time consuming with the new Munis System. The Finance Department is catching up on its work, finishing the 2009 audit in March 2010, and now starting the 2010 work.

With McGladrey & Pullen coming in as the auditors again, Mr. Ecke said they do not have to review the system, go back and re-document everything, and this is a much less labor intensive process.

Ms. Ryan commented on both being good firms, and whatever the recommendation is from the committee and the Council would be fine with the Finance Department staff. McGladrey has been the auditor for the last 5 years, and the firms are similar. Ms. Ryan explained that the proposals are for a flat fee for a single audit and full financial statement audit. If there are other areas of concern outside the scope of the normal audit, these are extra costs, with the firm giving the Town a price.

Scott Bassett, partner with McGladrey & Pullen, stated that his firm is the incumbent auditing firm, and re-bid on the engagement. Mr. Bassett specializes in municipal accounting and is a government auditor and accounting specialist with the firm. McGladrey & Pullen is the 5th largest accounting firm in the
country. In the accounting field this means they have a built-in quality control with the firm subject to internal and external inspection. Every report goes through a second co-partner review for checks and balances.

The team on the Cheshire engagement will be two CPA’s who have been on the team for the last few years. Mr. Bassett stated that the firm has helped Cheshire in a number of situations, has a good working relationship with the Town, which it would like to continue. There is a new GASB coming up, and new single audit act to be filed on the federal and state level, with higher scrutiny. In 2011 fund balances will be re-shifted and put into different components, and McGladrey & Pullen is geared to do this and help the Town get through this.

Mr. Bassett noted that he has been doing this work for a long time, and every one of his clients would provide an excellent reference on delivery of service for the towns and boards of education. His firm has a resume of towns similar to Cheshire, is familiar with the needs and timing of the audit. McGladrey & Pullen will provide quality, good client service, and if there is anything which needs to be addressed, the Town staff will be advised. In this economy a good question is whether, through attrition or layoff, has there been a sacrifice of control. Many times these things are not thought of, and the solution is how to keep mitigating control and keep sound internal controls.

According to Mr. White he calls McGladrey & Pullen a few times and the firm has been responsive to him. He asked about a review of the gas usage in Town, and if Mr. Bassett is aware of any other industry or government concerns which might need a review.

In response, Mr. Bassett cited the transfer station, student activity accounts, collection of fees through the Parks and Rec Department, and these are the ones where controls are less due to a number of people collecting money. The firm goes through these types of things to insure they are all covered, rotating through the schools and various department which collect revenue for cash control.

From a disbursement standpoint the firm would look at employee benefits to insure only those entitled are getting them. Another area to be looked at would be in the pension fund with McGladrey specialists looking at whether anything has changed to impact the June 30th numbers. The firm reviews the pension funds and investment portfolio. Mr. Bassett said there is an investment control structure in place for overseeing pension funds. With alternative investments there has to be a process in which there is some oversight of the type of vehicles which the fund invests in; is there pension board oversight which looks at them and approves them; is there quarterly reporting on the funds; and the town should have an internal control structure in place to oversee these investments.

Mr. Falvey asked how many Connecticut towns are serviced by McGladrey & Pullen and where Cheshire falls within these towns.
According to Mr. Bassett, the firm services 26 or 27 municipalities, and Cheshire is the type of municipality which McGladrey & Pullen specializes in.

Mr. Bassett responded to a question on turnover in his firm, stating that it is minimal, and two of his current staff for the Cheshire audit will be returning.

Chairman Ecke thanked Mr. Bassett for his presentation to the committee.

4. APPOINTMENT OF AUDITOR FOR FY 09-10

Mr. Masciani stated that in this year’s audit, McGladrey & Pullen submitted a management comment about using cash receipts for BOE and this is now under control. Each school uses its own system.

Ms. Ryan noted that this could all be run through the Munis System, and this would be audit preferred.

There was a brief discussion about the student lunch program, which Mr. Bassett said is carefully controlled because of state and federal reimbursement. The State does a five year review of cafeteria programs.

For the school activity funds, the money comes from teachers, coaches, with many things involved, and more control is beneficial.

Ms. Ryan explained that there will be a review with the Town Manager for special areas to be looked at, checked, and worked into the normal hours and scope of the audit, so there is no extra cost involved. There can be a benefit plan audit done as well, and Mr. Jaskot noted that one was done a few years ago.

Chairman Ecke stated that his recommendation would be select McGladrey & Pullen as the auditors for the Town.

Mr. Masciani said he would agree with this recommendation after listening to the presentations by the two firms. He was very impressed with McGladrey & Pullen and Mr. Bassett, and they know the Town very well.

It was noted by Mr. Ecke that going with Kostin & Ruffkess there would be no savings involved when you factor in the overtime involved to transition back to this firm from the present auditor.

In years one and two, Ms. Ryan reported that McGladrey & Pullen did not raise their fees, and the Finance Department is very comfortable with this firm.

MOTION by Mr. White; seconded by Mr. Falvey.
MOVED that the Audit Committee recommend that the firm of McGladrey & Pullen be hired as the auditors for the Town of Cheshire for a period of five years, and that this be forwarded to the full Town Council for approval.

VOTE The motion passed unanimously by those present.

5. ADJOURNMENT

MOTION by Mr. White; seconded by Mr. Falvey.

MOVED to adjourn the meeting at 8:00 p.m.

VOTE The motion passed unanimously by those present.

Attest:

____________________________
Marilyn W. Milton, Clerk