

Town of New Fairfield
4 Brush Hill Road
New Fairfield, CT 06812
AGENDA
BOARD OF FINANCE
REGULAR MEETING
WEDNESDAY, April 1, 2020
COMMUNITY ROOM
7:30 PM

Join Zoom Meeting

<https://zoom.us/j/521342053>

Meeting ID: 521 342 053

1. Call to order
2. Pledge of Allegiance
3. Appointments
4. Correspondence/Announcements
5. Public Comment
6. Approval of Minutes – March 25, 2020 regular meeting
7. Budget Transfers
8. Discussion - Medical Plan for 2020/21 Budget - Tom Kowalchik, SVP, USI
9. Presentation/Discussion 2018/19 Audit-Joseph Centofanti Partner, PKF O'Connor Davies
10. Discuss/possible vote on accepting 2018/19 audit as prepared by PKF O'Connor Davies
11. Discussion - BOS and BOE requested 2020/21 budgets and reductions
12. Update - School Building Projects
13. Discuss and possibly approve boat dock invoice(s)
14. Discuss - Board of Finance article for the Town Tribune
15. Public Comment
16. Future Agenda items
17. Board Member Comments
18. Adjournment

Received by Email on 3/29/2020 @ 7:19 pm
by Pamela J. Dohan, Town Clerk, New Fairfield

DRAFT

AN IMPORTANT MESSAGE FROM THE BOARD OF SELECTMEN AND BOARD OF FINANCE CONCERNING THE BUDGET PROCESS

Governor Lamont's recent Executive Order 7i (<https://portal.ct.gov/-/media/Office-of-the-Governor/Executive-Orders/Lamont-Executive-Orders/Executive-Order-No-71.pdf> - See specifically #13.) alters the usual budget process for town meeting towns such as New Fairfield for this year. The Governor's order requires that the Selectmen authorize the Board of Finance to set a mil rate for the town on its own, without an annual town meeting and/or without a machine vote on the budget. Yes, you read that correctly!!! This year there will be no taxpayer vote on the budget. The Board of Finance will set the mil rate. (Unless the Executive Order is lifted before then.)

New Fairfield's Boards of Selectmen, Education, and Finance all understand that this is a BIG change from our usual budget process and one that many taxpayers may not be happy with, but we all fully support its intent – to maintain social distancing and keep people as safe as possible from COVID-19. The Governor's order is not a suggestion or recommendation, it is required for all towns in Connecticut. This change was made to avoid the gathering of people at polling places and to avoid putting poll workers (most of whom are seniors) at risk during the voting process.

Delaying the normal budget-making process by a month will give time for some things to be sorted out. Even at that point, we may not have all the answers, but we will likely have a clearer picture in June than we do now of:

- how long social-distancing and non-essential business shut-downs will go on;
- how deep the financial repercussions from so many business shut-downs will be;
- what the state's priorities are concerning school construction bonding for next year;
- the availability of possible State and/or federal financial assistance to towns; and
- whether the State will change its estimated aid to municipalities for next year.

To that end, the Board of Finance will change its previously published budget calendar. The Board will meet virtually on Zoom every Wednesday at 7:30 pm during the month of April to assess the current situation, to discuss any changes in the proposed budgets as a result, and to listen to public comment on the budget. The final budget mark-up will take place on Wednesday, May 6th, again at a virtual meeting, with the budget published in the Town Tribune and online the week of May 13th. On May 20th the Board of Finance will hold its regular meeting and set aside time for additional public input on the budget as published. And finally, on May 27th or June 3rd at the latest, the Finance Board will set the mil rate for next fiscal year and authorize the Tax Collector to send out the tax bills.

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This will NOT delay when taxes are due. According to Tax Collector Kerrie Greening, her office, barring some unforeseen calamity, should be able to get tax bills printed and out on time if the Board of Finance sets the mil rate no later than June 3rd.

At prior meetings the Finance Board whittled the budget requests down from a requested 4.79% tax increase to a proposed 2.97% increase, with the caveat that it might have to go lower still, depending on the economic situation we face. You can view the requested budget each time changes are made by looking at the Board of Finance agenda packet online at least 24 hours before each meeting.

To comment on the budget and what you want the Board of Finance to do, e-mail us at BOF@newfairfield.org or join our virtual meetings either online or by telephone and speak during the two public comment sessions we have at every meeting. Links and phone numbers are available through the town website at www.newfairfield.org. Click on the Meetings button at the top of the page, click on Board of Finance in the list of Boards and Commissions, and then scroll to the bottom of the page to find the agenda for the meeting you want to join.

We very much need and welcome your input into this unusual budget process we are facing this year. Stay home and stay safe and let us hear from you either by email or online with all the extra time you may find you have now!



Board of Finance
Town of New Fairfield, Connecticut

In planning and performing our audit in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies, significant deficiencies or material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. Therefore, material weaknesses may exist that have not been identified.

However, during our audit we became aware of matters that are opportunities to strengthen internal control or improve operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. We have previously reported on the Town's internal control in separately issued Federal and State Single Audit reports dated January 30, 2020. This letter does not affect our report dated January 30, 2020, on the financial statements of the Town of Fairfield.

This report is intended solely for the information and use of management, the Board of Finance, others within the entity and federal and state awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
January 30, 2020

Town of New Fairfield, Connecticut

Recommendations to Management
For the Year Ended June 30, 2019

We present for your consideration our comments and recommendations relating to internal controls and other operating and administrative matters, which came to our attention during the course of our audit. Comments and recommendations being repeated from the prior year's audit are identified by an "*".

Town

1. General Ledger and Accounting Records*

Condition

Currently, various funds are not maintained under general ledger control that are required to be reported in the Town's financial statements. These funds are maintained outside the general ledger system based upon monthly statements which have to be compiled to create trial balances for financial reporting.

Recommendation

We recommend that the Town record, on a monthly basis, but no less than quarterly, the activity of the various funds in the general ledger to ensure proper monitoring and accountability.

2. Medical Claims

Condition

Currently, the Town is not receiving and reviewing monthly detailed claim reports from the claims processor to ensure that the Town is only charged for Town employees.

The Town is currently receiving aggregate claims reports but the reports do not separately account for Town and Education Department employees. Therefore, the Town has been estimating the claims amount for each group and using the estimate for reporting to the State.

Recommendation

We recommend the Town obtain and review the monthly detailed claim report from the claims processor and establish and implement procedures to review the statement to ensure the Town is only being charged for Town employees. We also recommend that the Town consider requesting the claims processor to specifically identify Town versus Education Department employee claims in order that the amount be properly and accurately reported to the State.

3. Capital Assets

A. Condition

Currently, the construction in process schedule includes a prior year balance of approximately \$760,000 for projects that appear to be inactive and should be capitalized or written off. In addition, the capital asset summary schedule prepared by the Town does not reconcile to the software generated reports.

Recommendation

We recommend the Town review the construction in process and determine projects to be capitalized or written off. We recommend reconciling the capital assets in the software to the client's summary schedule to ensure accuracy.

B. Condition

We noted that useful lives for certain assets were less than the Town's actual use of the capital asset.

Recommendation

We recommend the Town review the current useful lives by asset type against the Town's actual historical use of those assets and adjust the useful lives as appropriate on a prospective basis for current assets and for all new assets.

4. Purchasing/Accounts Payable

Condition

Currently, the Accounts Payable clerk has the ability to enter new vendors into the financial software system.

Recommendation

We recommend the Town develop and implement a new vendor form, approval process, and related checklist to ensure that all required information is obtained, proper and required due diligence is performed and the approval is documented. The approval of the form would be the authorization to enter the vendor into the accounts payable system. We also recommend that the Accounts Payable clerk be restricted from having the ability to enter new vendors into the system. New vendors should be added only after proper due diligence has been performed as noted above and all required information and forms have been obtained by someone other than the Accounts Payable clerk.

Education Department

5. Bank Reconciliations

Condition

Currently, the student activity bank account reconciliations are not formally prepared, reviewed or approved on a monthly basis.

Recommendation

We recommend that student activity bank account reconciliations be prepared on a monthly basis, formally documented, and reviewed and approved by the Director of Business and Operations.

6. Cafeteria Cash Receipts

A. Condition

Currently, cafeteria revenues are being recorded based on deposits from the bank statement.

Recommendation

We recommend that revenues be recorded in the accounting system based on the daily sales report from the POS system. This report should be reconciled to the amount deposited on a weekly or monthly basis.

In addition, we recommend that, if possible, the Education Department consider implementing a blind close process for the POS registers to strengthen internal controls.

B. Condition

Currently, the Education Department does not reconcile the third-party cafeteria vendor reports to the amounts of revenues received and deposited.

Recommendation

We recommend that Education Department reconcile the amount received and deposited to the monthly report received from the cafeteria operator third-party vendor.

C. Condition

The Education Department does not maintain a full general ledger for the Cafeteria Fund including all appropriate balance sheet accounts and the financial statements are prepared using spreadsheets.

Recommendation

We recommend that all accounting be done in the general ledger on the modified accrual basis. This includes reviewing grant revenues and expenditures and recorded accounts receivable or unearned revenue as necessary.

7. Excess Cost Grant Reporting Form

Condition

During our testing, it was noted that costs for the excess cost student were not being properly updated and reported to the State as required.

Recommendations

We recommend that the Education Department develop and implement formal procedures and related forms to the excess cost reporting as follows:

- Develop procedures and related forms to ensure that actual costs are reported on the excess cost form.
- Develop procedures and related forms to properly account for costs by student and prepare and update the excess cost form as required by the State Department of Education.
- Vendors must be required to provide details on the students for which services were performed.
- Allocation methodologies must be formally documented and reviewed and approved by the Director of Business and Operations.
- Costs must be reconciled to the general ledger (transportation, supplies, OT/PT, etc.), where appropriate.
- The tracking forms and related reconciliations and final amounts to be reported on the excess cost form must be reviewed and approved (from a financial perspective only) by the Director of Business and Operations.

Best Practices

8. Code of Conduct/Ethics Policy*

Condition

The Town has not established a formal policy that addresses expected employee code of conduct and ethical behavior.

Recommendation

We recommend that the Town develop and implement a code of conduct/code of ethics policy.

9. Fraud Policy*

Condition

The Town has not established a policy that specifically addresses fraud and the related potential consequences if it is determined that fraud has been committed.

Recommendation

We recommend the Town develop and implement a policy to specifically address fraud, the Town's position on fraud and the consequences for noncompliance with the policy.

Follow-up on Prior Year's Recommendations

The following comments and recommendations from the prior year's audit are not being repeated, since the Town has implemented procedures to address the recommendations or they were otherwise resolved:

- Journal entries – The journal entries are maintained in books and are reviewed and approved on a weekly basis.