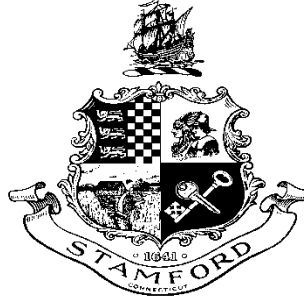


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BOARD OF FINANCE

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AUDIT COMMITTEE MEETING OF THE BOARD OF FINANCE

Thursday, July 13, 2023, at 5:30 p.m.

MINUTES

CALL TO ORDER: Mary Lou Rinaldi, Audit Committee Chair, called the meeting to order at 5:32 p.m. *(Video 00:00:10)*

MEMBERS PRESENT: Audit Committee Chair, Mary Lou Rinaldi; Audit Committee Member, Dennis Mahoney; Board of Finance Chair, Richard Freedman and Board of Finance Member, Laura Burwick.

OTHERS PRESENT: David Yanik, Joanne Noone, Teresa Viscariello and Bridget Fox. Board of Representative Members: Boeger, Bewkes, Miller and Shaw.

PUBLIC PARTICIPATION: Peter Dao, City Resident, spoke briefly. *(Video 00:28:16)*

Mr. Dao expressed concern over the delayed completion and public posting of the annual ACFR report(s). He questioned the City's ability to maintain the current excellent credit rating and ability to borrow at preferred rates. Mr. Dao also noted that future property taxes could be negatively impacted.

1. REVIEW OF CURRENT STATUS OF CITY'S ANNUAL AUDIT (Video 00:00:29)

Questions for Controller, Assistant Controller and Director of Taxation
([link to pre-meeting responses to questions](#))

Attending: David Yanik, Controller

- a. *What is the status of the completion of the city's annual audit? The Board was advised the audit would be completed by mid-June. (Video 00:00:33)*

Controller David Yanik advised that the Controller's Office team continues to work with RSM (the outside auditor) to piece together the ACFR including charts and schedules, absent the MD&A and additional journal entries that were submitted to RSM yesterday. Mr. Yanik stated that Scott Bassett, (Partner, RSM), needs to review the adjusted journal entries prior to releasing the draft to the Board.

Audit Chair, Mary Lou Rinaldi asked why journal entries continue to be done this late in the process.

Mr. Yanik explained that certain accounts needed to be "split out" for financial reporting purposes at the request of RSM.

In addition, other detailed requests from the auditor that allow them to tie back to the City's trial balances are progressing. Mr. Yanik noted that the City hasn't dealt with this task in the past, but they are getting it done.

- b. *When will we receive the audit, and the auditors' statements? When will the city provide comment/corrective action to those statements? Please note this information must be provided BEFORE the Board of Finance can vote to approve the audit. (Video 00:04:18)*

Ms. Rinaldi stated that she spoke to Scott Bassett, RSM, and he advised that it will be "a couple more" weeks before a final version of the ACFR is complete. Mr. Yanik agreed with the estimation for ACFR completion.

- c. *Why aren't we tying revenues to the general ledger? (Video 00:05:18)*

Ms Rinaldi advised that an email from Bill Napoletano, Tax and Revenue Collector, stated that reconciliation was being performed on the sub-ledger side.

Mr. Yanik advised that the tax collector's office is on the QDS system, a system accessible only to the tax collector's office. He noted that historically, the tax collector's office has been responsible for making sure the sub-ledger and the general ledger tie out. He acknowledged that there had been some problems with the process on this audit contributing to the delay in completion.

- d. *When will the FY23 Audit process begin? (Video 00:06:44)*

Mr. Yanik reported that he has begun the process of issuing instructions to all the major departments including OPM, Grants, Risk Management and Tax Collector. Those instructions include deadlines and audit support schedules including any new schedules that RSM has requested that haven't been requested by previous auditors.

- e. *Ms. Rinaldi asked for a "Plan B" if cooperation from the various departments is not in line with the instructions/deadlines issued. (Video 00:07:59)*

Mr. Yanik advised that any department falling short of expectations without a plan to resolve the issues would be accountable first to the Controller, then the Director of Administration, the Mayor's Office and potentially the Board of Finance.

Ms. Rinaldi stated that the Administration is equally concerned, like the Board of Finance, with the audit progress this year.

Ms. Rinaldi opened the floor for questions from other Board of Finance members as well as attending Board of Representatives members. (Video 00:09:41)

Laura Burwick, Richard Freedman and Dennis Mahoney from the Board of Finance asked several questions and Mr. Yanik responded. Rep. Boeger and Rep. Miller also contributed to this discussion. *Please review [video](#) for detailed conversation.*

2. PRESENTATION OF THE INTERNAL AUDIT REVIEW OF THE CITY'S PROPERTY TAX REVENUES COLLECTION PROCEDURES AND PROCESSES FOR FY19 – FY21 WITH EXHIBITS (Video 00:32:07)

Attending: Teresa Viscariello, Internal Auditor

Teresa Viscariello, Internal Auditor presented her findings ([copy of report here](#)) on the City's property tax revenues collection procedures and processes for FY19 through FY21.

Ms. Viscariello explained that she performed an objective, overview and background on the actual process that the City uses for the property tax revenue collection.

During this audit, Ms. Viscariello uncovered five high priorities issues as follows:

- 1) QDS Reporting Limitation -- Unable to locate the 2019 and 2020 QDS reports which are essential for tax preparation.
- 2) Lack of periodic reconciliation procedures and management review – Unable to identify any routine periodic (daily, monthly, quarterly) reconciliation procedures.

- 3) Unable to find support to back up reports provided during the audit. Specifically, for FY19 and FY 20.
- 4) Misclassification in the AFCR.
- 5) Lack of compliance and adherence to adopt and establish State statutes – The State requires a statement of any refunds of tax payments containing amount of refund, to whom the refund was made and the reason for the refund.
City Statutes --Municipal record retention policies relating to the inability to locate essential QDS reports.

Ms. Viscariello offered recommendations for the Controller's Office in addition to the Tax Collector's Office. A lengthy discussion followed. Please refer to the [video](#) for details. (Video 00:43:26)

ADJOURNMENT: (Video 01:01:58)

Audit Committee Chair, Mary Lou Rinaldi, adjourned the meeting at 6:34 p.m.

[This meeting is on video.](#)

Tracy Donoghue
Tracy Donoghue
Clerk of the Board