

Board of Finance Auditor Subcommittee Meeting
Notes of Robert Wechsler
4/18/07

Timothy M. Doheny (chair), Michael T. Hallahan (secr), Michael J. Freda
Edward Swinkoski, acting Director of Finance

Sample Request for Proposal (RFP) from auditor handed out; no one had seen it before the meeting

Michael Hallahan - Need to look at what occurred and what the damages were, so that problems can be corrected; need for forensic auditor in addition to regular auditor

Timothy Doheny -RFP should have auditor look at internal controls, which areas have problems, and then follow up with them; he didn't read the arrest warrant affidavits (neither did Michael Freda)

Michael Hallahan - The audit would only be for the current year, but the acts occurred over a period of years; must determine the degree and extent of the misuse of public funds; a forensic auditor would be an aid to regular auditor; also need forensic (certified fraud examiner) because may want to ask for reimbursement

Edward Swinkoski - could get feedback from auditor on what is needed

Timothy Doheny - Must give a forensic auditor scope for investigation or will be very expensive

Michael Hallahan - Could begin with Community Services and then expand where necessary

Timothy Doheny - referred to report from Levitsky & Berney [current auditor], but Michael Hallahan had not seen it

Michael Freda - Thought auditing firm could handle the whole thing; wonders whether forensic would be more comprehensive, because there's a big cost differential

Michael Hallahan - He feels the public is willing to spend what is necessary to get to the bottom of what occurred, to heal the wounds; it's a critical point, need the best professionals, the best ammunition

Timothy Doheny - Wondered what forensic auditors do, and the extent of the loss; consider where there is suspicion of fraud and direct to those areas, with controls, such as how far back to go

Michael Hallahan - There's a pattern, a trail, and you follow it back till it ends

Michael Freda - Refers to a list of auditors that Edward Swinkoski obtained from the state Office of Policy and Management [but only regular municipal auditors, nothing referring to forensic auditors]; concerned what town will get relative to expenses

Timothy Doheny - Forensic auditors are a subspecialty in the same firms
Michael Hallahan - Forensic investigation has a shorter time horizon, need answers and changes ASAP, there still might be problems, so there can't be any delay until after the regular auditor has done its work (not until late in the year); it's a chemical fire, and it needs to be put out with chemicals
Michael Freda - We could ask in our interviews of regular auditors what they think about hiring a forensic auditor in addition
Michael Hallahan - The forensic auditor must come from a different firm than the regular auditor
Timothy Doheny - There are two choices: expand the RFP where it appears to be necessary or hire separate forensic auditor; questions: what is covered and costs: will we get our money back; it's gone and it wasn't a lot of money, although may have been over the years, but he guesses we won't get any of it back; concerned more with preventing it in the future
Michael Hallahan - Anything less than a forensic auditor will be seen as inadequate in dealing with the town's problems
Michael Freda - Had one experience with a forensic audit: high cost and not much different information, but he's flexible on it, wants to pursue a parallel path and ask auditors what to do
Timothy Doheny - Fraud is more common than you think; he assigned Edward Swinkoski to look into which firms have fraud examiners; asked H if single firm could do both
Michael Hallahan - Doesn't know; asked if the town attorney had seen the sample RFP (he hadn't); wants to get outside advice
Timothy Doheny - will have to read sample RFP and get together again
Edward Swinkoski - Need to tailor it fit the town; will show it to town attorney after the subcommittee has edited the sample RFP
Timothy Doheny - Is it appropriate to show the RFP to accountants who won't be bidding?
Meeting dates: May 2 and May 9 (both Wednesdays) at 6:15 pm
Adjournment

Public Comments

Janet McCarty - our audit firm found no problems, need to get the public confidence
Timothy Doheny - Auditor wasn't engaged to find problems such as fraud
Janet McCarty - We need to err on the side of open government, even if it costs a lot; can try to get convicted felons to pay part of the cost of forensic auditor, since wouldn't have to be done otherwise; for five years had asked to bid out the auditor job
Ms. Smith - Arrested Director of Finance Vincent Palmeri had a broader reach than Community Services, so investigation could not be limited to that department

Timothy Doheny - The charges are not relevant

Audience Member - Will ask state to audit if need be; Palmeri admitted to investigator that he never questioned any department head's judgment, so could be problems in many departments;

Timothy Doheny - The specific allegations are not relevant

Audience Member - The subcommittee wants to sweep the past under the rug

Michael Hallahan - Will go back as far as need to go; he will accept nothing less than a full forensic audit

Robert Wechsler - Edward Swinkoski should not have participated in this meeting at all; I wrote the subcommittee members and Edward Swinkoski, and spoke with him, about this matter; a person whose work and department are to be investigated should not participate in any discussion of who will investigate his department; it is a clear conflict of interest, and it has been ignored

Timothy Doheny - You would not have anyone in the finance department work on financial matters?

Robert Wechsler - he never said that, he said very clearly and specifically in his letter and here that the conflict only involves participation in discussions about who will investigate; he also said that any firm Edward Swinkoski or anyone else in the finance department has worked for should be taken off the list of who can be hired to do the audit

Edward Swinkoski - did not work for any of the firms on the list [but later he said that he had worked for Levitsky & Berney, North Haven's auditor for many years, up until now, which is on the list; to give him the benefit of the doubt, since we were not going to use Levitsky again, his first statement meant that he did not work for any of the firms under consideration]

Michael Freda to Robert Wechsler - your letter [criticizing the board of finance's role in a dishonest budget] is incendiary and makes matters worse

Timothy Doheny to Robert Wechsler - BoF chair Michael Peterson responded to your letter

Robert Wechsler - Peterson sent a letter, but it did not respond to anything in Wechsler's letter

(The subcommittee did not discuss the conflict of interest issue raised by Robert Wechsler)

Sara Aziz (a CPA who has done municipal audits) - You don't tell auditors what to do, they know what to do and do what they need to do

Audience Member - asked subcommittee members if they would be willing to sign a disclosure form, saying that they and their relatives had no relationship with any of the auditing firms being considered (after some confusion, they said they would)

Audience Member to Timothy Doheny and Michael Freda - you came unprepared except to brush the matter under the carpet

Robert Wechsler - You need to look at more than one sample RFP
Michael Hallahan - Agreed, and they will