

Board of Finance Auditor Subcommittee Meeting
May 2, 2007
Notes of Robert Wechsler

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

Edward Swinkoski - added Cheshire and New Haven Requests for Proposals (RFPs); Checkers International, the firm that did West Haven's forensic audit, has contacted Swinkoski; The state Office for Policy and Management has given North Haven an extra 30 days to hire an auditor (till June 30)

Timothy Doheny - has drafted an RFP based primarily on Manchester's, with two proposals, for annual audit and for special operations audit, providing controls, policy, procedures, systems, and practices; don't issue RFP for forensic audits, forensics tell you what they will do once you tell them your goals; do operations audit, which shows deficiencies, and then can ask for forensic audit; not authorized by Board of Finance (BoF) to hire a forensic auditor, can discuss with new auditor how best to investigate

Michael Hallahan - likes full operations audit; scope has expanded since allegations were made, so that initial interest in forensic audit has become much greater; BoF members hadn't read the details of the state's investigation, need to start forensic audit immediately, to determine extent of damages to the town; Kopetz supports it; don't need auditor's advice

Timothy Doheny - no authority to hire forensic auditor, but can recommend to BoF that one be hired; would have to qualify and engage a firm, would take same amount of time

Michael Hallahan - we have the authority to recommend a forensic firm

Timothy Doheny - Why do you say that?

Michael Hallahan - We've never had a subcommittee like this, never had a committee to hire an annual auditor; these are special circumstances; could prepare a vague RFP to get proposals from forensics, take a dual track with separate firms

Timothy Doheny - Certified Fraud Examiners person said not done with an RFP, you have to tell them what happened

Michael Hallahan - that's what the RFP could say; there has to be a solicitation of some kind

Timothy Doheny - I spiritually agree, but we're not charged to do this; the BoF can change the charge

Michael Hallahan - We've learned new information

Timothy Doheny - We have to follow the rules.

Michael Hallahan - This is a logical expansion of town auditing needs, would save a lot of time; they'll thank us for moving on it

Michael Freda - We can do general and then forensic; why not the same firm?

Michael Hallahan - Added point of view, greater independence; we're going to go to court to recover what was embezzled or withheld; not against same firm, at this time, but needs to know more

Michael Freda - We can just rework the language in the RFP

Michael Hallahan - I will write up a forensic RFP for the next meeting

Timothy Doheny - May not support it; the Manchester RFP is for three years, OPM recommends at least 5 years or use of renewal language

Michael Hallahan - Would 3-yr contract require annual approval, would there be an escape clause

Timothy Doheny - Discusses point system in RFP and need for mandatory free proposal conference, prefers voluntary

Michael Hallahan - Mentions disclosure statements re possible conflicts of BoF members

Timothy Doheny - Discusses timetable: shooting for proposals by May 24, open up bids, make recommendations at June 13 BoF meeting; special operations audit would be separate report with different deadline (none for operations audit)

Michael Hallahan - Basically 2 RFPs for same firm, with some overlap; suggests holding public comments section before adjournment

Timothy Doheny - Public meetings do not allow public comments until after adjournment

Public Comments

Janet McCarty - We need to have public comments during adjournment because of the NHTV policy of shooting a meeting only till it is adjourned; We must err on side of openness and transparency, and should have separate firms do annual and forensic audits

Gary Amato - Freda is only interested in departments where there have been allegations (Community Services), but due to allegations concerning Palmeri, the whole government is involved

Michael Freda - Wherever there is any suspicion

Timothy Doheny - Don't do forensic audit of whole town, only specific areas

Margaret Tivnan - Are you against separate firms? There is a conflict of interest

Timothy Doheny - I am not resistant to this

Robert Wechsler - There is an inherent conflict involved when the same firm does an annual audit and a forensic audit. An annual auditor has a collegial relationship with its client, working together to get the numbers and the procedures right. And an annual auditor wants to get along because it wants its contract renewed. A forensic auditor comes in once and cares nothing about the future. It is trying to find out what the client did wrong, it's an adversary relationship. They don't work with the same firm. They need to be done by separate firms. And this is an example of why public comments should

happen during the meeting. There are people in town with expertise. You can hear what I say, but the public cannot. You must show respect for the public by letting them hear what other members of the public say.

Ann DeMatteo (Register) - Why was North Haven's auditor, Levitsky & Berney (L&B), not rehired?

S - Our auditor for 25-30 years

Michael Hallahan - There was no vote, not much discussion, everyone in agreement at April 5 BoF meeting

Timothy Doheny - Budget has figures for annual, special, and fixed asset audits

Linda Brown - People suspect all officials now, we need to know who did what before the election

Janet McCarty - I and Steve Fontana wanted to change auditors for many years, but no support on the BoF or Board of Selectmen

Sarah Aziz - Why not call a special BoF meeting to get explicit authority to hire a forensic auditor? L&B was West Haven's auditor and seriously misrepresented assets; who did West Haven's new audit and who was their forensic auditor? [No one knew]; what were the costs? [No one knew]; How long did it take to perform the forensic audit there; Need to have results before the election

Timothy Doheny - A forensic audit will be done long before the election; could call special BoF

Michael Hallahan - Has CCM looking into West Haven and Cromwell situations for him

Michael Freda - Special BoF meeting okay with him after May 9 subcommittee meeting

Sarah Aziz - Why not call one for next week?

Michael Hallahan - That's one way to proceed, but Doheny has seen the light, coming around, but Hallahan doesn't like the way of getting there or the limitation of firms; need separate firms; but don't need BoF meeting yet

Gary Amato - It's business as usual in North Haven

Tom Brown - Ordinary audits, it is said, can detect problems, but ours didn't; We need something new; why is the subcommittee dragging its heels and throwing up smoke?

Janet McCarty - People want forensic audit, no one but BoF chair Peterson has come out against it, and he is for it now; we need a special BoF meeting to approve it

Timothy Doheny - You're right, but how best to proceed? Two firms might take longer

Tom Brown - Why undecided re conflict problem with one firm doing both sorts of audit

Timothy Doheny - I will consider the matter

Robert Wechsler - When is annual audit due?

Timothy Doheny - December 31.

Robert Wechsler - Why would the forensic audit be done earlier

Timothy Doheny - Would start right away? Does that satisfy you?

Robert Wechsler - It satisfies me, but it contradicts what was said earlier.

Doug Wood - A decision next time not to include public comments during the meeting means that the subcommittee does not value citizens' comments.