

Finance, Audit and Department Matters Committee Meeting

**Tuesday, May 28, 2013
Room 307A, State Office Building
165 Capitol Avenue, Hartford**

Approved Minutes

Members Present: Allan Taylor, Chairman
Andrea Comer
Robert Trefry, ex officio
Stephen Wright

Others Present: Kevin Chambers, Consultant, Bureau of Grants Management
Pam Charland, Assistant to the Commissioner and State Board of Education
Levy Gillespie, Director, Affirmative Action Office
Brian Mahoney, Chief Financial Officer
Gloria McCree, Director, Office of Internal Audit

Francine Coss, Superintendent, Columbia Public Schools
Jonathan Luiz, Town Administrator, Town of Columbia
Ernest Sharpe, Chairman, Financial Planning and Allocation Commission, Town of Columbia
Kathy Tolsdorf, Member, Columbia Board of Education
Christopher Tracey, Shipman and Goodwin
Carmen Vance, First Selectman, Town of Columbia

Chairman Taylor called the meeting to order at 1:40 p.m.

I. Approval of Minutes – March 7, 2013

Mr. Wright moved, Ms. Comer seconded, that the Committee approve the minutes of the Finance, Audit and Department Matters Committee meeting on March 7, 2013. Motion carried.

Vote: Yes	Mr. Taylor
No	0
Abstained	Ms. Comer and Mr. Wright
Absent	0

II. Financial Matters – Town of Columbia’s Minimum Budget Requirement (MBR)

Mr. Mahoney told the members that the Town of Columbia and Columbia Board of Education were afforded the opportunity to provide additional information regarding the 2011-12 MBR matter. He noted that information was shared amongst all parties.

Attorney Tracey, speaking on behalf of the Board of Education, and Mr. Luiz, Town Administrator, each gave opening statements regarding their respective positions on the 2011-12 MBR shortfall and waiver request. Both commented that they were hopeful a resolution could be reached.

Mr. Mahoney reminded all parties that, notwithstanding a resolution, statute provides for only three choices in this matter: 1) the penalty, which is twice the amount of the shortfall, be taken out of the Education Cost Sharing grant; 2) the Town may petition the State Board of Education (SBE) to fund the Columbia Board of Education at least the amount of the penalty next year; or 3) the SBE waives the penalty for good cause.

In-depth discussion between all parties ensued.

Questions were raised about the amount of funding appropriated to the Board of Education to satisfy education funding requirements. Comments were made about the fairness of the education budget and whether the Town decides how much funding goes to the Board of Education.

There was discussion between Committee members and Columbia representatives regarding the MBR provisions for declining resident students and declining enrollment in designated high schools outside of town. The main topic was the use of October 2009 vs 2010 student enrollment data and 2010/2011 enrollment. Mr. Mahoney noted that if October 2011 data was utilized, the MBR could not be computed until half way through the 2011-12 year. It was noted that the designated high school deduction was a huge factor in Columbia's 2011-12 MBR. After much discussion about the declining enrollment and data, Mr. Mahoney stated that there is no advantage for towns to underfund in terms of reducing future years' appropriations. While acknowledging that the MBR statute may be complex, Mr. Mahoney stated that the Department stands behind its interpretation of the law.

Discussion around specific tables provided by Shipman and Goodwin took place. Specifically, the year-end purchases by the Board of Education were mentioned. It was noted that staffing is impacted every time budget reductions are required.

Additional conversation on the Board of Education budget ensued. The group reviewed the history of increases to the Board of Education over the years. It was noted that appropriations have declined in the last few years. However, Columbia, as well as most other towns, are trying to manage all department budgets and the overall impact on local taxpayers. Further discussion took place regarding specific budget line items, federal funding, and pass-through grants. It was noted that the Town provides all accounting services, and the Board of Education budget went through the proper budget process based on Town procedures.

Based on the documentation provided and the conversations at the meeting, Chairman Taylor commented that the State Board does not plan on reviewing local line item budget appropriations. He went on to say that the Department of Education has consistently and rationally applied the MBR calculations based on statute, and he did not hear sufficient evidence of "good cause". Therefore, he asked for a motion to impose the statutory penalty for the Town of Columbia's failure to meet the 2011-12 MBR.

Ms. Comer moved, Mr. Wright seconded, that the Committee recommend to the full State Board of Education to impose the statutory penalty for the Town of Columbia's failure to meet the 2011-12 MBR. Motion carried.

Vote: Yes	Ms. Comer, Mr. Taylor and Mr. Wright
No	0
Abstained	0
Absent	0

III. Office of Internal Audit Agenda Item – Approval of Office of Internal Audit FY2013-14 Audit Plan

Ms. McCree stated that various Department staff were asked for input, including Commissioner Pryor, the Chief Operating Officer, and other Team management members. Additionally, the Leadership Council was asked to provide suggestions for audit activity.

Ms. McCree highlighted the audit plan and estimated timeframes for each project.

She noted that a great deal of time is spent every year on school construction audits. The amount of dollars involved is tremendous, with millions of dollars going through the Department. In addition, Ms. McCree noted that approximately three billion dollars of construction projects are currently in the Bureau of School Facilities' pipeline; those projects will eventually be forwarded to the Office of Internal Audit (OIA).

The review of grants is extremely important because of the magnitude of dollars and since the public is interested in ensuring grants are properly distributed.

The federal/state single audit issues comprise a large part of staff days. Reports from independent public accountants are reviewed, and OIA will work directly with towns to resolve issues and improve internal controls.

Regarding charter and magnet schools, OIA conducts site visits, reviews financial reports, as well as reviews applications for new charters/magnets.

OIA staff is expected to spend 80+ days working with the CT Technical High School System (CTHSS). A great deal of time is spent with the review of inventory issues. Mr. Taylor suggested to Ms. McCree that all CTHSS reports generated by OIA be forwarded to the Chair and Vice Chair of the CTHSS Board.

The internal calculation forms review process also involves a magnitude of dollars. OIA works closely with the Bureau of Grants Management during the review of all grant calculations.

OIA works with the Auditors of Public Accounts to coordinate activities in order not to duplicate efforts. Also, OIA conducts special exams as requested by Department managers. Lastly, time is set aside for staff training throughout the year.

Mr. Wright moved, Ms. Comer seconded, that the Committee recommend to the full State Board of Education to approve the Office of Internal Audit fiscal year 2013-14 Audit Plan.

Vote: Yes	Ms. Comer, Mr. Taylor and Mr. Wright
No	0
Abstained	0
Absent	0

IV. Other Matters

General information about the Finance, Audit and Department Matters Committee was offered. It was noted that the meetings are held quarterly; Ms. McCree and her assistant, Patricia Johnson, will coordinate meeting dates with Mr. Taylor; Ms. McCree and Ms. Johnson will coordinate the meeting materials and minutes; and the Committee plays a significant role in the review and discussion of Affirmative Action Plans.

Chairman Taylor adjourned the meeting at 2:55 p.m.

Recorded by Karen Kowalski, Office Supervisor, Division of Finance and Internal Operations