

**TOWN OF DURHAM**  
**BOARD OF FINANCE**  
P.O. Box 428  
DURHAM, CONNECTICUT 06422-0428

BOARD OF FINANCE

SPECIAL MEETING

DECEMBER 19, 2006

MINUTES

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The Board of Finance met at the Durham Town Hall for a Special Meeting on Tuesday, December 19, 2006. Chairman Fran Korn called the meeting to order at 7:00 p.m.

**Members Present:** Fran Korn, Loraine Coe, Jay Berardino, Elmer Clark, Rosemarie Naples

**Others Present:** Al Rusilowicz (Auditor), Charles Corley (*Town Times*), Peter Downes (*Hartford Courant*), Reporter from *The Middletown Press*, Sharon Criscuolo, John Skewczyk, Barbara Olsen, and several other townspeople

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**1. Minutes**

MOTION BY LORAIN COE, SECONDED BY ELMER CLARK TO APPROVE THE MINUTES OF THE REGULAR MEETING HELD ON DECEMBER 6, 2006 AS PRESENTED; MOTION PASSED UNANIMOUSLY.

**2. Correspondence**

Members were provided with:

- Copies of letters sent to Board secretary candidates
- Copies of training/reference material provided to the new Board secretary
- Copy of 2007 Board of Finance Meeting Schedule and Budget Hearing Schedule
- Copy of letter dated November 30, 2006 from the CT River Coastal Conservation District, Inc. to James W. McLaughlin, First Selectman requesting \$1,598 for fiscal year 2007-2008

**3. Invoice**

MOTION BY ELMER CLARK, SECONDED BY LORAIN COE TO APPROVE PAYMENT OF INVOICE FROM THE MIDDLETOWN PRESS FOR BILLING PERIOD 10/30/06 TO 11/26/06 IN THE AMOUNT OF \$327.18 FOR PUBLICATION OF AD FOR BOARD SECRETARY ON NOVEMBER 21, 2006; MOTION PASSED UNANIMOUSLY.

**4. FY 2005-2006 Audit Report**

Al Rusilowicz reported that the draft audit has not yet been completed, however it will be ready next week. He noted that although the draft audit was not available tonight, he had information for the Board of Finance that will allow the Town to go forward with the items that will be voted on at the Special Town Meeting scheduled for December 27<sup>th</sup>. Al distributed updates to two reports that he had provided as drafts at the November 15<sup>th</sup> meeting.

Al reported that 26 accounts were overexpended for a total of \$368,912 for FY 2005-2006, while 55 accounts were underexpended for a total of \$280,465. Following a review of accounts that were overexpended, Al reported that because there was not enough money from the accounts underexpended to cover the accounts overexpended, \$88,447 will be needed from Undesignated Fund Balance to cover the difference. Al noted that this amount was slightly lower than his earlier estimate of approximately \$100,000 that would be needed from Fund Balance.

Fran Korn asked Al where we currently stand with the Tax Collector's Office. Al replied that a date has not yet been scheduled for MUNIS to come in to provide training. He said in his opinion MUNIS has not been responsive to Durham's requests for support and assistance. Al said he and Martin French worked together to recreate MUNIS reports that had been run previously to see how the system processed data. The Tax Collector's report agreed with the ending number on MUNIS, however that number did not reconcile to the Accounting side; it was off by \$5,409 which will be written off.

Jay Berardino asked Al how the problems in the Tax Collector's Office will affect the audit. Al responded that the reporting problems will be identified as an internal control issue which is considered a material weakness because there is currently no internal control mechanism in place. Jay asked what the results of that finding will be for the Town. Al replied that Maryjane Malavasi and Martin French will establish reconciliation procedures which are important to have in place, particularly when there is a newly elected official or a new financial system. Al added that he does not know the status of the Rate Book that is due from MUNIS. Fran Korn remarked that Maryjane had informed him that MUNIS is working on the Rate Book.

Al remarked that in his opinion the Tax Collector's Office should stop using MUNIS and go back to using Quality Data (QD). In response to a question, Fran Korn and Elmer Clark agreed that it was the decision of the Project Connect Committee to convert the Tax Collector's Office from QD to MUNIS. Loraine Coe noted that Maryjane is currently preparing a cost analysis of QD and MUNIS. Fran commented that the Town made a wise decision to hire a full time Finance Director at this time. Fran went on to say that it is clear there was a lack of training when MUNIS was introduced to the Town Hall because training was not offered to key personnel. Elmer remarked that the Tax Collector's Office converted from QD to MUNIS at approximately the same time that the move to the temporary Town Hall took place and during a busy tax collection period. Fran commented that if the anticipated MUNIS training for Town Hall staff is going to be the same quality of training that MUNIS provided to members of the Board of Finance, there may be no point in providing it at all because that training was not satisfactory.

Al commented that it is hoped that the upcoming MUNIS training will address specific issues with the system, such as why accounts that converted from QD are handled differently than accounts created in MUNIS after the system was put in place. Fran asked if the posting issues have been resolved. Al responded that he does not believe they have been resolved. He offered that in his opinion the errors in the system were blatant and obvious, and it should not have taken until the end of the fiscal year to realize the extent of the errors. He noted that when Maryjane Malavasi recently assumed the position of Finance Director she realized almost immediately that there was a problem in the way MUNIS was posting certain transactions.

Jay asked Al if the audit is accurate. Al said that from an auditing perspective the data in the Tax Office reconciles to the data in the Finance Office except for a difference of approximately \$5,500 but it is impossible to say which office is correct and which one is incorrect. On the accounting side, cash balances for some accounts were not balanced for several months at a time, so the discrepancy could be the result of errors on the Finance side. Al noted that certain functions that were once performed in the Tax Office were moved some time ago to the Finance Office; however in his opinion there may be efficiencies to be gained by pulling some of those functions back to the Tax Office. He added that it will be up to the new Finance Director to determine what

will work best. Al repeated that because there are currently no internal balancing techniques in place, if something were to go awry we would not know.

Jay asked what the State will say when Durham's audit is filed. Al responded that the State will request a corrective action plan from the Town which Maryjane Malavasi will prepare. He added that a discrepancy in the amount of \$5,500 is an insignificant amount in the scheme of things. Jay reported that he inquired about what would happen when Durham's audit is filed with a material weakness due to an internal control issue and said he was told that Durham may not be able to bond money which would affect Regional District 13 as well. Al remarked that whenever an internal control issue is identified in an audit, issues such as bonding become a concern.

MOTION BY JAY BERARDINO THAT THE BOARD OF FINANCE ACCEPT THE DRAFT AUDIT WITH THE EXCEPTION OF THE TAX COLLECTOR REPORT. The motion was not seconded.

Discussion followed. Jay explained that he feels it would be prudent not to accept the Tax Collector portion of the draft audit until more is known about the issues in the Tax Office. Fran commented that he believes it would be best to use the 30-day filing extension that Al had requested and wait to file the audit after the first of the year. That would allow time for Al to present a draft audit to the Board of Finance at the January meeting since the draft was not available for tonight's meeting. Fran explained that the Board is unable to vote on acceptance of the draft audit tonight since it is not yet available.

Elmer Clark asked what types of problems have been found in the tax records. Al described situations that appear to have created problems in the system, for example when tax refunds from one account were applied as payments to a different account for the same taxpayer. Al went on to say that the problems may have been the result of Martin processing complex transactions in a system with which he was not familiar, or the problems may have been on the accounting side because some transactions in the Tax Office are not shown on the Finance side due to the way the system was set up to interface with the Tax Office. Elmer asked Al if the former Finance Director had set up the system incorrectly. Al responded that the system was not set up to post to the correct accounts. Fran remarked that it appears several issues converged to create the current situation, including a change of Finance Directors, a change of Tax Collectors, and a change in the financial system used in the Tax Collector's Office.

In response to a question from Loraine Coe, Al confirmed that the conversion from QD to MUNIS took place on July 1, 2005. Rosemarie Naples asked how the incorrect data can now be corrected. Al explained that the errors in posting on the accounting side are not problems with the MUNIS system; the system will post to wherever it is told to post. He went on to say that Maryjane Malavasi will be able to fix the posting problems by resetting the default codes in the accounting system, adding that Martin had no reason to question whether transactions he was processing correctly were being handled incorrectly on the accounting side.

Fran summarized the discussion by commenting that it appears everyone is in agreement that the Board of Finance would like to see a draft of the audit at the next meeting. Al confirmed that he will be able to attend the next meeting which is scheduled for January 16, 2007. Jim McLaughlin and Maryjane Malavasi will also be invited to attend.

In response to a question from Fran, Al confirmed that expenditures needed to repair the oil tank leak on the Town Hall property were taken from account 2560-Town Hall Expenses, not from the Insurance account. Al also confirmed that expenditures needed to repair the damage to the Fire House were taken from account 4025-Fire Company Trustees, not from the Insurance account. Fran asked Al to confirm the amount of insurance money that was received for these two items.

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MOTION BY ROSEMARIE NAPLES, SECONDED BY ELMER CLARK TO APPROVE TOTAL FINAL TRANSFERS TO THE 2005-2006 BUDGET IN THE AMOUNT OF \$368,912 AS RECOMMENDED BY THE TOWN AUDITOR TO BALANCE OUT OVER EXPENDITURES/ UNDER EXPENDITURES. MOTION PASSED UNANIMOUSLY.

MOTION BY ROSEMARIE NAPLES, SECONDED BY LORAIN COE TO APPROVE A CARRYOVER FROM FY 2005-2006 INTO FY 2006-2007 IN THE AMOUNT OF \$42,367 FOR SKATING POND REPAIRS. MOTION PASSED UNANIMOUSLY.

Al confirmed that he would deliver copies of the draft audit to the Town Hall next Tuesday or Wednesday (December 26<sup>th</sup> or 27<sup>th</sup>). He reported that he would also provide an unbound copy of the audit for the Board of Finance to be used for printing the Annual Report, and a second unbound copy for the Town Clerk who would like to post the audit on the Town website. Fran agreed that posting the audit on the Town website would be appropriate.

**5. Economic Development Commission Report**

Rich Hanley was unable to attend tonight's meeting to discuss this item.

**6. Status of 2006 Annual Report**

The Board secretary reported that all information needed for the report has been received with the exception of: a report from the Fire Company; the audit; and data from the audit that is needed for the Board of Finance's report. The theme, dedication, and selection of photos are also needed. There was unanimous agreement to table this item and take it up at the January meeting.

**7. Budget Discussion**

Fran reported that Finance Director Maryjane Malavasi has distributed budget request forms to all Departments, Boards, and Commissions. All budget requests are due by January 5, 2007. All budget requests will be provided to Maryjane who will provide copies to both the Board of Finance and the Board of Selectmen. The Board secretary reported that letters regarding the submission of budgets for 2007-2008 and a copy of the budget hearing schedule were distributed to all Departments, Boards, and Commissions earlier this evening, with the exception of several departments and commissions that do not have mail boxes in the Town Hall mail room. Those letters will be distributed later this week.

**8. Other Business**

Chairman Fran Korn thanked outgoing Board secretary Alice Tucker for her valuable assistance and service to the Board of Finance for the past seven years. Members welcomed Sharon Criscuolo, who was in attendance at tonight's meeting, as the new secretary to the Board of Finance effective January 1<sup>st</sup>.

**9. Adjournment**

The meeting adjourned at 7:55 p.m. The next regular meeting is scheduled for Wednesday, January 16, 2007 at 7:30 p.m. in the Town Hall.

Respectfully submitted,

*Alice Tucker*

Alice Tucker

Secretary to the Board of Finance