

North Kingstown Audit Committee
Thursday June 24, 2010
North Kingstown Town Hall
80 Boston Neck Road
North Kingstown, RI 02852
6:00 P.M.

1. Call To Order by the Chairperson -J. Wadovick at 6:00 P.M.

Present: J. Wadovick, C. Cardente, M. Leonard, R. Mazzone, R. August and P. Sunderland – Finance Director.

2. Pursuant to RIGL 42-46-6© Notice of this meeting has been posted on the Secretary of State’s Website.

A tape recording of this meeting was made to supplement the written record.

3. Introduction of new member – Rebecca Mazzone

Chair welcomed and introduced Ms. Rebecca Mazzone to the Committee. Chair stated Ms. Mazzone will fill the unexpired term of John McNamee which expires March 1, 2011.

Chair passed out the Audit Committee Ordinance and copies of the Whistleblower Ordinance for review.

M. Leonard invoked Roberts Rules of Order and referred to Agenda items#8, 9, & 10. Items are in direct violation of the Whistleblower Ordinance Section E 1A. These items are regarding Whistleblower complaints. Proper process was not followed. A person’s name was published. We need to protect our employees and any individuals. It is a disgrace as to how the agenda was created and presented that way. He objected to the wording “missing”. Missing money means lost or stolen. These complaints do not come before the Audit Committee they are to go to the Whistleblower Screening Committee. Wants clarification as to how the agenda was put together and how accusations about someone could be put on an agenda.

Chair stated the agenda was put together by the Finance Director and himself speaking. He agrees the person’s name should not have been mentioned. Going forward each complaint will be numbered. The complaints cannot be heard or submitted at this level. There will not be any names in the Whistleblower complaints on the agenda in the future.

R. August suggested members see a draft agenda before the meetings.

Chair agreed.

4. Selection of new member to Whistleblower Screening

MOTION: R. August second M. Leonard to have Ms. Mazzone fill the unexpired term for John McNamee on the Whistleblower Screening Committee. Voted: Unanimous.

5. Review Engagement letter from Town auditors, Braver, P.C. for the June 30, 2010 audit

Chair stated the Committee does not sign the engagement letter. We just review the letter and if necessary report back to the Finance Department, Town Council and the Town Manager.

R. August asked if the auditors have started their work.

P. Sunderland answered not yet. Initial field work will be the first week in July. They will be out again in October and November. Then we will be going out to bid for the next three years.

R. Mazzone referred to new GASB requirements with change in funds, has that been considered in the price of the engagement letter.

P. Sunderland not sure of any additional work required. That is part of their engagement with us. No change in price, it is a flat price for the three years unless we have special audits.

No comments on the Engagement Letter. Chair will pass on to the Town Council to accept the engagement letter as presented.

6. Resolutions concerning audit committee ordinance – discussion and action

R. August stated the committee can make recommended changes to the Town Council. He has a series of resolutions:

- That committee membership is increased to six with Town Finance Director being the Ex-Officio member with no additional responsibilities.
- The Town Finance Director shall serve as a member ex-officio and provide administrative support to the Audit Committee. The ex-officio member shall have no power to second a motion or vote on matters brought before the Committee.
- The ordinance states that the Audit Committee meet annually with each of the following: the Town Manager, Superintendent of Schools, Town Council and the School Committee. The Town Manager and Superintendent of Schools are normally in attendance when the Town Council and School Committee meet. He suggested eliminating the requirement to meet separately with Superintendent of School and Town Manager.
- Section 2-403 (i) requires that the Committee review the Town Solicitor's annual report to the independent auditor of legal and regulatory matters that may have a material impact on the financial statements and compliance with federal, state, and local laws and regulations and

such disclosure by the Solicitor might compromise such litigation, he suggested that Paragraph (i) be deleted.

- He stated that it has become evident that some members of the community perceive the Committee as some sort of ombudsman, special prosecutor or investigative agency. He suggested that this be clarified in the ordinance that the audit committee shall have no investigator authority, may not subpoena witnesses or compel the production of document except as may be required under the provisions of Town of North Kingstown Whistleblower Ordinance

- The ordinance is silent on the term of the chairperson. At our meeting on February 8, 2007 upon a motion made and seconded it was unanimously voted that the chair shall be held by a member elected by simple majority for a term of two years and be limited to two consecutive terms.

MOTION: R. August second M. Leonard to adopt the resolutions as presented and forward onto the Town Council.

Discussion.

M. Leonard item #6 – add: “until a new chair is chosen.”

R. August stated at the meeting on February 8, 2007, if a person wanted to serve an additional two terms and was nominated; they could do so but would be capped at two years.

Chair stated the ordinance is silent and suggested to add something that reads: for a term of two years and limited to two consecutive terms. It would be defined in the ordinance. There could be a no confidence vote and then vote in a new chair.

M. Leonard suggested “to serve two years until a new chair is selected but not to exceed two consecutive terms.

R. August stated we are not prohibited from having a new election.

Chair clarified there are some areas in the ordinance that are vague. There was a change in the Chairperson and there was a void as to how to follow. With adding a sixth person, we would have that person step in and run the meeting.

R. August stated this document was reviewed by the Town Solicitor and he said it was fine.

Amendment to the motion.

MOTION: M. Leonard second C. Cardente to amend item#6 to until a new chairperson is elected.

C. Cardente asked is there already something in place to accomplish this?

Chair stated the ordinance is silent as to how long the Chair can serve.

C. Cardente stated there is the no confidence vote. Does that cover M. Leonard's request.

R. August stated that could be done with an agenda item and through a motion, it can be voted on.

Vote on amendment: 3 – 2 amendment failed.

Chair asked R. August if there were any issues from the Town Solicitor.

R. August received an email from the Town Solicitor which stated it was fine.

This will need to go to the Town Council for their review and approval.

R. August will provide a copy of the email he received from the Town Solicitor.

Vote on original motion. Unanimous.

7. Review/Discuss Stabilization use time Requirements to ensure the School Committee's compliance of timeline for expending ARRA funds

Chair wants to ensure the Superintendent of Schools is aware of the timeline for the ARRA funds. Possibly, a note from myself or M. Leonard.

R. August received correspondence from Chairman of the School Committee. Believes School Committee has addressed this and has a response from the Dept. of Education. He passed out copies of the correspondence.

8. Whistleblower Complaint – Receive and refer to screening committee

9. Whistleblower Complaint – Receive and refer to screening committee –Complaint regarding Missing Jamestown Bond Payments (attached back up documents A,B,C, D, E)

10. Whistleblower Complaint –Received and refer to screening committee

Chair stated these items will be forwarded to the screening committee to review. This Committee will not hear these items.

R. August was one of the authors of the Whistleblower Ordinance. He does agree with M. Leonard that these items should not have been on the agenda. Written or hand delivered complaints go to the screening committee. The Audit Committee does not receive these complaints. Complaint maybe submitted to the Town Manager or Superintendent of Schools for action. Unless, the complaint involves one of them. The screening committee is the body that reviews these. It is not the audit committee. He explained the process in detail. He presented correspondence from the School Committee which he will forward to the screening committee.

Chair informed Finance Director if any more complaints are received; they should be given to the Town Manager or the subcommittee. If any other problems come forward contact the Town Solicitor.

11. Correspondence – 2 letters.

#1 –letter dealing with the FTE for both the Town and School Department and there were incorrect numbers in the audit report from the school department. The report is in the back of the financial report. The numbers can be misleading.

R. August met with Dr. Thornton and the Chair of the School Committee to discuss this. Presented information from auditors to clarify this. The auditors rely on the management of the school district to give them correct information. The information must be corrected going back to 2001. He suggested they consider using an average head count as opposed to trying to pick a point in time. Dr. Thornton agreed and would implement it for this year. This is on page 129. R. August will work with them. Maybe a representation letter should be signed by the Superintendent and the Director of Administration. Similarly to the one signed by the Town Manager and the Finance Director. Dr. Thornton thought it was an excellent idea.

Chair feels it is up to the auditors but agrees it is a good suggestion.

2 –subcommittee policy and procedures at the school department.

C. Cardente stated audit subcommittee received a request from the school department subcommittee regarding some purchasing and policies procedures. M. Leonard and I provided input to them. School Committee responded they received the email and thanked us.

Chair thanked C. Cardente and M. Leonard.

12. Public Comment

Jim McGwin, 412 Chimney Rock. Referred to what Mr. August spoke of regarding resolution#6 for the screening committee. He referred to items 8 & 9. Complaint involves a member of the school committee

Chair stated the committee cannot discuss items #8, 9, and 10.

J. McGwin stated there is nothing in ordinance if a complaint is made regarding a member of the screening committee. Recommended having an alternate for the screening committee, in case a complaint comes in about one of the members.

Chair referred to section 1B2.

R. August read the first page of the ordinance under definitions.

J. McGwin stated last year there was a significant disruption when the audit committee could not meet due to not enough members. Need a process by which the committee can meet.

R. August stated we had staggered two member terms and term limited. You now serve to a specific date or until a replacement is appointed by the Town Council.

J. McGwin stated the committee should always able to meet.

Chair stated they did not have a quorum. It is not our job to replace ourselves.

M. Leonard serves at the pleasure of the Town Council and School Committee. He was elected by both boards. You can go to those boards to have me removed.

J. McGwin stated the ordinance says members of the Audit Committee will not serve on other board.

M. Leonard disagrees with his interpretation. There is a Town Council member here who serves on the other committee with me.

Chair stated the ordinance states "as long as the Town Council has reviewed and has accepted; the person can sit on the other committee." It is allowed.

R. August asked Chair to contact the Town Solicitor.

Chair has done so. Has communicated the Town Solicitor comments to Mr. Leonard. He will give the members exact instructions as to what they should do per the Town Solicitor. Letter will be sent to Town Council.

R. August serves on the Parade Committee. He specifically put that on his application when he applied for the Audit Committee.

J. McGwin has complained about the bidding process in 2008. He hasn't received a response.

Chair stated if about Whistleblower complaint, you have to go to the proper resources.

J. McGwin feels the Audit Committee should follow up with determinations from the screening committee.

R. August stated the screening committee has 14 days to follow up on complaints.

Chair stated he will make sure our internal controls are set on the screening committee.

J. McGwin stated it is not proper for a member of the Audit Committee to write editorials in the newspaper especially when it is about an open whistleblowers complaints. He was asked by the then Town Council President to help draft the Whistleblower ordinance and the Audit Committee. There are retaliation issues in this town. Since then there have been many issues that have come up. Reports were made about specific vendors who were identified in the report and printed in the paper. Now, there is an issue with the Jamestown tuition. The audit committee should take a more active interest in this. In 2007, he asked Ms. Diaz, as to why we had to refund \$250,000 to the RIDOE and the federal government. He asked what she relied on and she stated the single audit. The audit you oversee.

Chair stated we do not oversee. He presented Mr. McGwin a copy of the ordinance and encouraged him to look at it again.

R. August asked where does it say we get involved in fraud investigations.

J. McGwin read ordinance 2-401. Ms. Diaz stated we need to talk specifically to the auditors. Activity accounts have been looked at by the external auditors. Many issues with the auditor's report. Two towns paid the same portion of the debt service. Hopefully, we don't have to revisit these issues because they keep on coming up. There have been significant issues. He has never been contacted by the screening committee to review the complaints he has submitted.

Chair stated that is not true, I sent you a letter. I followed the Town Solicitor's instructions. We do not hear Whistleblower complaint. If you are unhappy with the five persons in the ordinance, I can recommend you speak with the Solicitor. He stated they will take everything he said under advisement.

Lynda Avanzato, 29 Collins Court regarding FTE. Absolutely correct, the information given to the auditors was not correct by the school department. There were errors. Auditors were very good with this. She thanked Mr. August for his help. The numbers were higher than the FTE

had. In terms of the policies, they will be on our next policy subcommittee agenda. We will send those back after our work is made. She is troubled by a person's name in a complaint and by the nature. She is concerned about the political nature but is confident the screening committee will do what is necessary to screen the process. School committee will be happy to provide any necessary information. She believes any members of a committee retain their right of free speech.

13. Adjournment

MOTION: C. Cardente second M. Leonard to adjourn. VOTED: Unanimous.