

Sullivan County NH

Type of meeting: Board of Commissioners Meeting Minutes
2nd Exit Interview of FY06 County Auditors

Date/Time: Friday, October 20, 2006, 10 AM

Place: Newport County Complex, 1st Floor
Commissioners Conference Room

Attendees: Commissioners Donald S. Clarke – *Chair*, Ben C. Nelson – *Vice-Chair* (arrived later) and Ethel Jarvis – *Clerk*; Ed Gil de Rubio – *County Manager*; Sheryl Stephens-Burke CPA/MST – *Melanson Heath and Associates*; Jeff Graham – *Graham & Graham CPA*; Sharon Johnson-Callum (*minute taker*).

Other attendees: *State-County Delegates* John Cloutier, Larry Converse, Brenda Ferland, Jay Phinizy, Peter Franklin, Harry Gale Jr., Joe Osgood (arrived later), Charlotte Houde-Quimby (arrived later); William Roach – *Sunapee Select board Chair*, Matt McCleary – *Eagle Times Staff reporter*; John Lund (*filming meeting at request of Rep. Franklin*).

10 a.m. Commissioner Clarke opened the meeting. Representative Harry Gale Jr. led all in the *Pledge of Allegiance*.

Commissioner Clarke noted the meeting would be conducted (as follows) with:

1. Opening remarks from County Manager,
2. Melanson Heath Associate's Sheryl Stephens-Burke, reviewing the final audit report and management letter,
3. Entertain questions from the Board of Commissioners,
4. Entertain questions from the public attendees.

OPENING REMARKS – COUNTY MANAGER

Mr. Gil de Rubio thanked Melanson Heath and Associates, the County's FY 06 auditors, for performing the audit in such a timely manner; noting it was a short time frame to get their work into the audit report.

REVIEW OF FINAL AUDIT REPORT

Ms. Stephens-Burke concurred it was their first government audit completed for the fiscal year. She noted today's meeting would be a repeat of the same held several weeks ago with the draft audit report, and would overview the various parts of the reports.

Jarvis inquired about the date of August 11th and what it referred to. Ms. Stephens-Burke confirmed August 11th was the date their firm completed their testing procedures and the date required on the financial papers.

Ms. Stephens-Burke continued, providing an over view of the following *Annual Financial Statements Year Ended June 30, 2006*:

Management's Discussion and Analysis,
Statement of Net Assets – also known as the “balance sheet”,
Statement of Activities. Stephens-Burke confirmed, to Commissioner Jarvis, the definition of a “planned loss” meant that the County plans on collecting less than what they spend – “planned” means “budgeted”,
Governmental Funds Balance Sheet,
Reconciliation of Total Government Fund Balances to Net Assets of Governmental Activities in the State of Net Assets,
Statement of Revenues, Expenditures and Changes in Fund Balances, the “income statement side”,
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities,
Statement of Revenues and Other Sources, and Expenditures and Other Uses – Budget and Actual,
Proprietary Fund Statement of Net Assets – also known as the “balance sheet of the nursing home”,
Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets – also known as the “income statement of the nursing home”,

10:19 Commissioner Nelson arrived.

Proprietary Fund Statement of Cash Flows, and
Notes to Financial Statements.

Commissioner Jarvis questioned if the auditors received a detailed list of bad debt account that totaled \$655,000?

Ms. Stephens-Burke confirmed they did. Mr. Gil de Rubio noted the write off was approximately \$481,000, due to auditor's adjustments, and that the motion the Board made at a previous meeting included the amount be contingent upon the auditors work. Commissioner Jarvis requested a list of the \$655,000, citing she never received it. Mr. Gil de Rubio and Commissioner Nelson confirmed all members of the Board were provided this detailed information; and, Mr. Gil de Rubio confirmed he would resend it to her.

REVIEW OF MANAGEMENT LETTER

Stephens-Burke continued with an overview of the *Management Letter Current Year Recommendations Year Ended June 30, 2006:*

Improve Controls Over Resident Trust Fund (Reportable Condition) – Reviewed 3 years to determine if anything misappropriated, traced all checks to bank accounts – all checks were appropriate; found lack of invoices/receipts to residents – the control over accounts needed to be improved. Mr. Gil de Rubio noted this has since been contracted out to another firm and that the one person is no longer on the bank account.

Improve Supporting Documentation for Disbursements – found quotes for items not well-documented, bid requirement waived but not documented well.

Recommendation: keep copies of quotes and keep them with the bill/invoice. Ms.

Stephens-Burke noted this was a common issue with municipalities and it's their way to determine if the municipality has a system in place and that it's operating effectively.

Improve Budgeting - \$233,500 maturing of CD should not have been budgeted as an "Other Financing Source" as it is not a real external source of revenue and was noted in prior years. One (1) million fund balance used, there was only 703k available. Commissioner Clarke noted that budgeting was a timing situation, and now knows they should base the budget on the prior years balance.

Properly Record Self-Insurance Fund Expenditures – looked into health insurance recordings, there is a special bank account for claims and funds are placed in it periodically, an expense was being charged on the transfer of the funds from one account to another bank account. However, the expense should be charged when the claim invoice is received.

Management Letter - Status of Prior Year Recommendations:

Improve Oversight Over Nursing Home Receivables (Reportable Condition). This recommendation has been resolved.

Improve Controls Over Various Cash Accounts (Reportable Condition). Only one fund, Alix Ungren Fund, was not still placed under the control of the County Treasurer. This was a donation of money, a CD of around \$3,000.

Improve year-End Processing Procedures. Continue to recommend the county review its year-end processing procedures so that payables and encumbrances are properly reported under Generally Accepted Accounting Principles. Cut off needs to be improved. Mr. Gil de Rubio confirmed encumbrances will stop, has never worked before with a municipality that had encumbrances.

Revise Various Accounting Procedures. Transfers from the Registry to the General fund were made. Transfers from Nursing Home were not.

Improve Year-End Reporting at the Nursing Home – continue to recommend that the nursing home address issues noted above so that accurate financial information is provided to the County in a timely manner.

The meeting was opened for questions from the Commissioners. There were none.

The meeting was opened for questions from the public.

Rep. Franklin questioned if the auditors were attending the 11 a.m. Delegation meeting?

Mr. Gil de Rubio noted the auditor's work for the Board of Commissioners, and during the Exit Interview the Executive Finance Committee and full Delegation are invited to attend and express their questions. Rep. Franklin noted there were not many delegates in attendance and wanted the auditors to attend the delegates meeting. Commissioner Clarke, as Chair, noted this was not appropriate. Rep. Gale requested the group ask their questions at this point.

Rep. Phinizy, referring to Page 17 of the draft audit - expenditures/other uses – that a surplus of \$205,000 was reflected and how it was characterized?

Ms. Stephens-Burke noted the surplus closes to unreserved fund balance in 2007.

Rep. Phinizy asked where a specific entry was reflected (Minute taker did not hear the specific entry, and the tape recorder did not pick it up - to far away)

Ms. Stephens-Burke indicated it was a line item.

Rep. Phinizy asked a question (Minute taker did not hear the question as separate conversation going on).

Ms. Stephens-Burke noted it was part of unreserved fund balance; okay to use to supplement the budget, and transfers to the balance sheet in to the equity.

Rep. Phinizy asked a question that Ms. Stephens-Burke responded to (Again, the Minute taker could not hear Rep. Phinizy and the answer due to several conversations being held). Mr. Graham noted – “you have a surplus of \$876,000 due to planned transfer; it’s \$876,00 minus \$223,500”.

Rep. Phinizy asked what do we have overall or carried forward?

Ms. Stephens-Burke referred him to the balance sheet, page 12 on the final and page 13 on draft report, and noted the amount. Mr. Graham asked about the registry of deeds. Ms. Stephens-Burke noted funds in the Registry are restricted, and referred Rep. Phinizy to the Balance sheet again noting \$364,264 is what you have to go forward.

Rep. Franklin pointed out during the draft audit meeting he asked who planned the deficit and Frank Biron indicated whoever authorized and voted for use of fund balance. In MS42 last year, there was no use of fund balance money, just as there was no use in original MS42 for this year; who indeed authorized the use of this fund balance and why did it not appear and why did no one in delegation know there was going to be use of fund?

The Commissioner Chair gaveled Franklin, requesting him to not make statements and ask questions.

Rep. Franklin asked who authorized the use of fund balance in FY06?

The Commissioner Chair noted the lesson was discussed and to move on.

Rep. Franklin indicated he spoke with Mr. Biron after the draft audit presentation about a letter he wrote. He asked if Stephens-Burke was familiar with the letter and his questions in the letter, which he discussed with Mr. Biron?

Ms. Stephens-Burke confirmed she was familiar with the letter, and the one question related to the bed tax. The answer to his question is “yes” they are recorded in same period. Rep. Franklin and Stephens-Burke debated further on end of year reflections for this entry. Mr. Gil de Rubio pointed out that some counties are on fiscal year and some on calendar year and that he feels this is where Mr. Franklin is getting confused.

Rep. Franklin asked about another entry and how it was recorded?

Ms. Stephens-Burke noted the amount was recorded with others as a lump sum in the General Ledger.

Rep. Franklin discussed a June '06 Proshare recording, of \$36,777, an additional payment adjustment, made June 28, 2006, and asked how it was recorded?

Mr. Gil de Rubio and Ms. Stephens-Burke are not sure of when it actually hit the account, so could not confirm, during this meeting, for that specific entry.

Rep. Franklin asked how the revenue anticipation note of \$525,000 was carried forward in budget?

Ms. Stephens-Burke noted this was a balance sheet item and does not hit the budget or income statement.

Rep. Franklin asked where encumbrances appear in the audit report for both the General Ledger and others?

Ms. Stephens-Burke indicated they only record them in the General Ledger, and referred him to page 12, \$52,533. Rep. Franklin noted he had requested a list of encumbrances, which the Manager sent him, that reflected \$1,440,000, and asked why auditors amount differed. Ms. Stephens-Burke noted they reviewed the list, found they needed to move some entries to accounts payable. She confirmed the internal report would not tie in with the auditor's report, due to these adjustments. Again, the Chair gaveled Rep. Franklin, noting the questions so far appeared to doubt the competency of auditors. He indicated he found the distrust repulsive when carried over to the auditors.

Rep. Franklin questioned where another entry was listed?

Ms. Stephens-Burke confirmed it was reflected on the balance sheet.

11:09 Representative Osgood and Gale left the meeting.

Rep. Franklin asked about proprietary funds, and how many there were?

Ms. Stephens-Burke confirmed there was one (1).

Rep. Franklin asked about MS42 transfers from proprietary fund?

Ms. Stephens-Burke confirmed that is what the form indicates.

Rep. Franklin requested an explanation of what happened to Fund 42 and how there had been over ½ million expenditures on a May monthly report, yet apparently there was only \$63,000 spent at end of year, on the June corrected reports?

Ms. Stephens-Burke noted she was unsure, it could have been reclassifications, big difference was the re-audit. She stated possibilities and adjustments that were made since the internal report was produced. Commissioner Clarke again gaveled Franklin as he began a follow-up. Mr. Gil de Rubio noted this is why their office holds back monthly reports until adjusting entries are completed by the auditors. Commissioner Clarke again noted his interpretation of Franklins questions, are that he is questioning the auditors performance. He noted they are running out of time, and pointed out that the Delegation had minutes to approve, and Franklin should be at that meeting so that they had a quorum.

Mr. Gil de Rubio recommended Rep. Franklin put further questions in writing and submit to him according to Delegation policy.

Commissioner Nelson pointed out *“the County Budget has been worked on for the better part of a year, 223 pages, the Executive Finance Committee/Delegation have been involved since day one, the full Delegation approved the budget, Mr. Franklin eluded to fund transfers – that is when they approved fund transfers, they signed off on the MS42 – which is basically condensing this [pointing to the 223 budget book] into a couple pages; what Mr. Franklin is quibbling about is which lines certain items should be on, and has made accusations that we are short, which hurts us all”*. He noted he does not pretend to know everything about the audit and everything in the book, but when he has Mr. Graham and auditors come in and do a thorough audit – *“things are in good shape, we have things we need to change but we know what they are and they are top of that. I’m satisfied with that. We are on top of it, bottom line is the auditors are satisfied, so I am. I know. Franklin will never be satisfied, but that’s Mr. Franklin”*. Commissioner Clarke noted they’d appreciate and encourage comments and suggestions from the Delegation on how *“we can improve things going forward, but to continually look in the rear view mirror to try and find fault with what somebody may have done and question their integrity or competency, I find deplorable”*. Commissioner Clarke indicated the Board had a personnel issue to discuss and needed to go in to Executive Session.

11:17 A motion was made, by Commissioner Nelson, to go in to Executive Session for a Personnel Issue [Per RSA 91-A:3.II.c.] Commissioner Jarvis seconded the motion. There was no discussion. A roll call vote was taken. The motion carried, unanimously.

11:17 All left the meeting except the three Commissioners, Mr. Gil de Rubio and Sharon Johnson-Callum.

11:17 – 11:23 Short recess of meeting taken.

11:33 A motion was made, by Commissioner Nelson, to move out of Executive Session. Commissioner Jarvis seconded the motion. There was no further discussion. A voice vote was taken. The motion carried, unanimously.

There was no formal action to be taken.

11:33 A motion made, by Commissioner Jarvis, to accept the Financial Statements Year Ended June 30, 2006 and Management Letter, and officially thanked Melanson Heath and Associates for their work. Commissioner Nelson seconded the motion. There was no further discussion. A voice vote was taken. The motion carried, unanimously.

11:34 The meeting adjourned.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ethel Jarvis". The signature is written in black ink and is positioned above the typed name.

*Ethel Jarvis, Clerk
Board of Commissioners*

EJ/s.jc-