



19

CITY OF DANBURY

155 DEER HILL AVENUE

DANBURY, CONNECTICUT 06810

COMMON COUNCIL

REPORT

January 4, 2006

Mayor Mark D. Boughton
Members of the Common Council

Re: **Audit Report**

The Common Council Committee appointed to review the audit report met twice, once on July 25, 2005 and again on December 27, 2005. In attendance at the July 25th meeting were committee members Urice, Calandrino and Esposito. Also in attendance were Director of Finance Dena Diorio, Assistant Corporation Counsel Les Pinter, Schools Director of Finance Elio Longo, and Scott Bassett from McGladney & Pullen.

Mr. Bassett stated that the role of the audit committee from the auditors' perspective was to provide a line of communication between the auditor and the Common Council that was independent of the various City and Board of Education financial personnel in the event that the auditors become aware of any situation that may be considered either improper, or if a deficiency in internal controls were so significant that they needed to be brought to the attention of the Common Council directly. The auditors take a hard look at the balance sheet and the assets, but the City has few, if any, soft assets. Mr. Bassett explained at a macro level how they approached verifying there was no significant overstatement of assets or understatement of liabilities.

Ms. Diorio stated that she has a good relationship with the auditors and finance personnel have given the auditors free access to any information they requested.

Mr. Urice stated that there were several areas of concern that he would like to address. The first was that any observations the auditors had regarding deficiencies in the prior year's audit should be revisited to provide some assurance that those deficiencies had not been repeated. One item in the 2003-04 fiscal year report related to fund disbursements at the individual schools. Mr. Longo said that procedures had been put in place to prevent a reoccurrence.

The second area of concern had to do with competitive bidding process. Mr. Urice said he would like some assurances that the auditors were comfortable that the City and the Board of Education were in compliance with the bidding and procurement procedures in place for acquisition of goods and services, and as it relates to long term commitment contracts. Mr. Bassett responded in the affirmative.

The third area of concern was the division of authority as it relates to the disbursement of funds. Mr. Urice said he wanted to know if there was an appropriate division of authority for approval of the acquisition of assets, goods and services, and the disbursement of related funds. Mr. Bassett said that was a big part of their internal controls testing. He outlined the thresholds at which additional authorizations are required.

The last concern had been brought to Mr. Urice by some members of the Common Council that we might be overextending ourselves with the issuance of bonds. Mr. Bassett stated that there were guidelines and regulations as to maximum debt per taxpayer, percent of revenue base, etc.

Mr. Calandrino made a motion to continue the meeting at the call of the Chair. Seconded by Mr. Esposito. Motion carried unanimously.

The committee reconvened at 10:10 a.m. on December 27, 2005. In attendance were committee members Calandrino and Saracino. Also in attendance were Director of Finance Dena Diorio, Assistant Corporation Counsel Les Pinter, School Board Finance Director Elio Longo and Scott Bassett and Sue Martinelli from McGladney & Pullen.

Mr. Calandrino stated that there were two outstanding issues that needed to be resolved. Mr. Bassett said the first issue concerned the Mill Ridge Primary School Student Activities Fund. They found that deposits were not being made in a timely fashion and there were several signed blank checks. He noted that the principal of Mill Ridge Primary School had submitted a report for this meeting that outlined corrective measures taken and he was satisfied. Mr. Longo stated that all principals were informed of their responsibilities and deposits must be made within 48 hours and never to exceed five business days under any circumstances.

The second outstanding issue was the use of the City's federal tax identification number. Two agencies had been using this number but they have been removed and will no longer continue this practice.

Mr. Bassett stated that the role of the audit firm is to perform an independent audit. The City of Danbury has a clean opinion this year, as well as a clean opinion regarding federal and state grants. The general fund has increased by seven million dollars and there was a 99.1% tax collection rate. Mr. Bassett noted that both City and Board of Education personnel provided all information requested.

Ms. Saracino made a motion to recommend that the audit be accepted and the committee closed. Seconded by Mr. Calandrino. Motion carried unanimously.

Respectfully submitted,

MICHAEL CALANDRINO, Chairman

MARY SARACINO

JOHN ESPOSITO