

TOWN OF MANSFIELD
FINANCE COMMITTEE MEETING
MINUTES OF SEPTEMBER 8, 2014

Members Present: Bill Ryan (Chair), Paul Shapiro, Virginia Raymond

Other Council Members Present: Steve Kegler, Alex Marcellino, Betty Wassmundt (6:05pm), Toni Moran (6:40pm), Betsy Paterson (6:45pm)

Guests Present: Vanessa Rossitto, Partner and Jeff Ziplow, Partner - BlumShapiro

Staff Present: Matt Hart, Cherie Trahan

1. Meeting called to order at 6:00pm.
2. Minutes from 8/25/14 meeting approved with correction noting Alex Marcellino was in attendance.
3. Opportunity for Public Comment – David Freudmann, 22 Eastwood Road voiced concerns regarding hiring consultants to support management interests; whether we are billing properly for services; where are the shared IT costs and are we billing properly for them.
4. BlumShapiro Proposal to Perform a Financial Operations Controls Assessment – Jeff Ziplow, Partner with BlumShapiro walked through a presentation of their Proposal to Perform a Financial Operations Controls Assessment and answered questions from the committee members and Council members present. Estimated timeframe for completion is 8 weeks. Cost not to exceed \$35,500.

The Committee agreed to read the proposal and hold a special meeting on September 15th to decide whether to move forward.

5. Proposed Yearend Transfers FY 2013/14 – Cherie Trahan reviewed the proposed yearend transfers with the Committee and answered questions. Cherie explained that the appropriation of additional State revenues would allow us to pay cash for (4) projects previously approved with bond funding, thereby avoiding the additional cost of bond issuance expenses and interest charges. In addition, these yearend results will increase our fund balance by approximately \$493,047 from \$2,823,216 to \$3,316,263 or 7.1% of the FY 2014/15 budget. Over the past five years, we have increased fund balance from \$1.8 mil to \$3.3 mil – an 82% increase. In addition, the proposed transfers align the budget with actual expenses for the fiscal year. The Committee discussed the proposed transfers and voted to recommend acceptance.
6. Proposed Capital Improvement Program Adjustments FY 2013/14 – Cherie Trahan reviewed the proposed capital improvements adjustments with the Committee and answered questions. These adjustments close completed projects, adjust funding for ongoing projects, and change the funding source from bonding to Capital Nonrecurring funding for four projects. The Committee discussed the proposed transfers and voted to recommend acceptance.
7. Quarterly Financial Statements dated June 30, 2014 – Cherie Trahan reviewed the quarterly financial statements dated June 30, 2014 with the Committee and answered questions. The Committee discussed the Health Insurance Fund and the recent increase in claims. Matt Hart informed the Committee that in an effort to control costs, we have gone out to bid for insurance services. The Committee discussed the financial statements and voted to recommend acceptance.

8. Communications/Other business/future agenda items –
 - ⇒ Parameters for building permit fee reductions
 - ⇒ General discussion on collection procedures – Christine Gamache will attend the October meeting
9. Adjournment. The meeting adjourned at 7:20 pm.

Motions:

Motion to approve the August 25, 2014 minutes by Paul Shapiro. Seconded by Virginia Raymond. Motion passed unanimously.

Motion to recommend approval of the yearend transfers by Paul Shapiro. Seconded by Virginia Raymond. Motion passed 2 to 1, Shapiro & Ryan for, Raymond against.

Motion to recommend approval of the Capital Improvement Program adjustments by Paul Shapiro. Seconded by Bill Ryan. Motion passed unanimously.

Motion to recommend acceptance of the Quarterly Financial Statements dated June 30, 2014 by Bill Ryan. Seconded by Virginia Raymond. Motion passed unanimously.

Motion to adjourn.

Respectfully Submitted,
Cherie Trahan, Director of Finance

Presentation For:

Town of Mansfield

FINANCIAL OPERATIONS CONTROLS ASSESSMENT

September 8, 2014

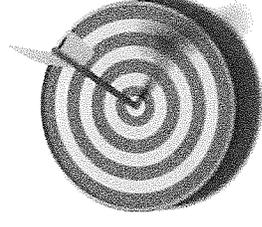
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The passion to unlock potential

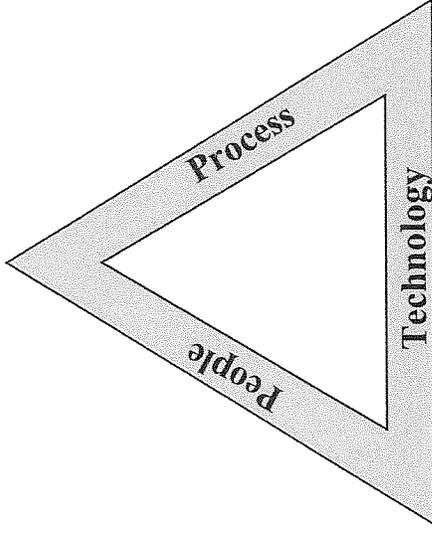
I. PROJECT GOALS AND OBJECTIVES

- Review the current operational processes, management systems, and controls of key operational areas within the Mansfield's Finance Department.
- Perform a risk assessment of management's ability to override controls.
- Identify control weaknesses within these areas and developing control improvements.
- Assess the roles and responsibilities of Finance Department staff.
- Review internal control procedures.
- Document the accounting policies and procedures in support of staff roles and responsibilities.
- Assess the current workflow practices and controls of the key financial operational areas.
- Review the current technologies used to process the aforementioned information.
- Document findings and gaps observed as part of the review.
- Update the accounting policies and procedures manual.
- Provide constructive and practical recommendations for re-engineering processes, enhancing internal controls and achieving potential change.

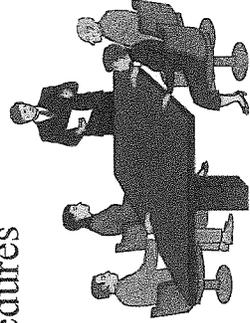


II. PROJECT OVERVIEW AND APPROACH

- Our Philosophy



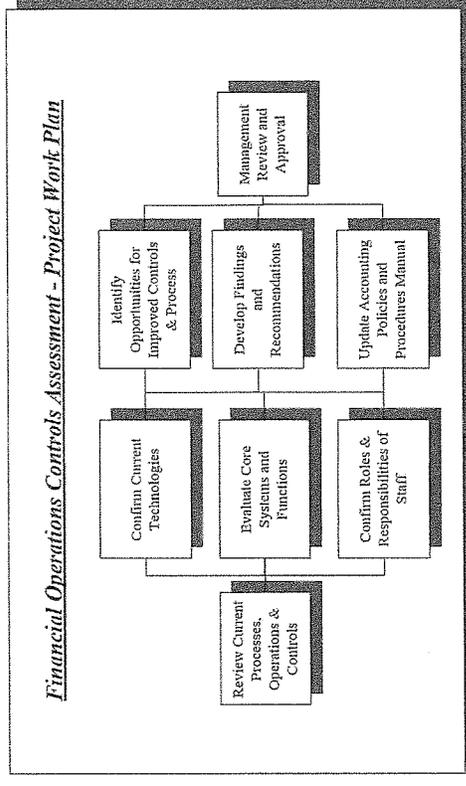
- Review Current Operations
 - Initial project meeting
 - Individual interviews
 - Process walk-throughs
 - Documented policies/procedures



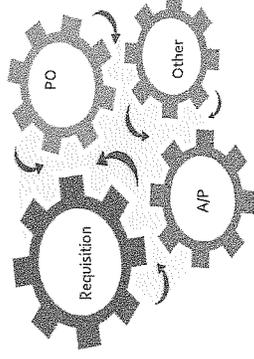
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- Proven Methodology

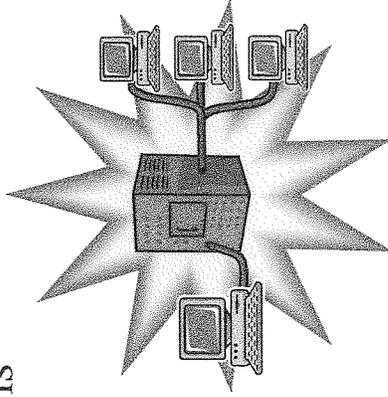


- Evaluate Current Workflows and Controls
 - Identify current process flows
 - Confirm key controls
 - Identify opportunities to enhance controls



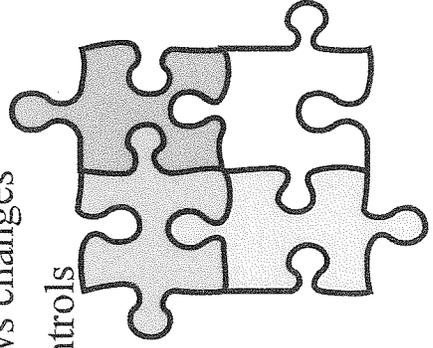
II. PROJECT OVERVIEW AND APPROACH

- Assess Technology that support internal controls



- Develop Gap Analysis and Recommendations

- Proposed workflows changes
- New/improved controls

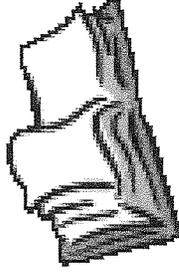


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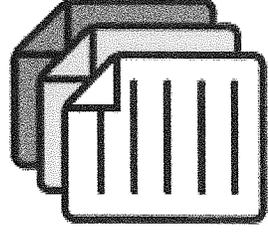
- Assess Roles and Responsibilities

- Organizational structure
- Staffing levels
- Sign-offs, control issues



- Update Accounting Policies and Procedures Manual

- Identify policies to be created/updated
- Document policies and procedures



Proposal to Perform a Financial Operations Controls Assessment

Town of Mansfield

September 5, 2014

BlumShapiro

Accounting | Tax | Business Consulting

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Accounting | Tax | Business Consulting

September 5, 2014

Mr. Matthew W. Hart
Town Manager
Audrey P Beck Municipal Building
4 S. Eagleville Road
Mansfield, Connecticut 06268

Dear Matt:

As per our discussion at the last Council Finance Committee meeting, BlumShapiro has extensive experience working with many municipalities, school districts and private organizations to evaluate their internal operations, re-engineer processes and develop/document policies and procedures in order to enhance controls. Our goal for this project is to provide realistic recommendations that will enhance internal controls and overall operations with the Finance Department that are accountable, transparent, and efficient. As part of these efforts, we will take advantage of Best Business practices that we have developed over many years of working with Connecticut Municipalities and School Districts. Based on our discussions, our services will include:

- Reviewing the current operational processes, management systems, and controls of key operational areas within the Mansfield's Finance Department.
- Performing a risk assessment of management's ability to override controls.
- Identifying control weaknesses within these areas and developing control improvements.
- Assessing the roles and responsibilities of Finance Department staff.
- Reviewing internal control procedures.
- Documenting the accounting policies and procedures in support of staff roles and responsibilities.
- Assessing the current workflow practices and controls of the key financial operational areas.
- Reviewing the current technologies used to process the aforementioned information.
- Documenting findings and gaps observed as part of the review.
- Updating the accounting policies and procedures manual.
- Providing constructive and practical recommendations for re-engineering processes, enhancing internal controls and achieving potential change.

We appreciate the opportunity to perform this work and look forward to a successful business partnership. I welcome the opportunity to discuss further, at your convenience, any of the matters covered in this proposal. Should you require any additional information or clarification, please call me at (860) 561-6815.

Very truly yours,



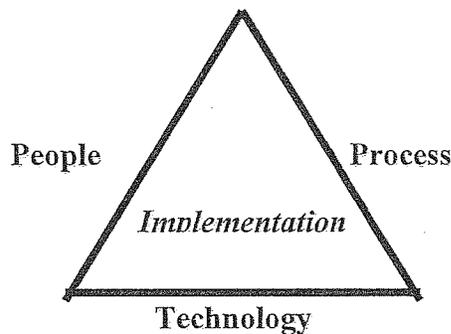
Jeffrey Ziplow, Partner

I. STATEMENT OF SERVICES PROPOSED

Blum Shapiro helps organizations take an accurate picture of where they are today and how they can improve to reach their goals for tomorrow. Based on discussions at the Mansfield Council Finance Committee meeting, we are knowledgeable of, and responsive to, the needs and requirements of the Town of Mansfield. Our goal is to evaluate financial processes, operational controls, technology and professional staff's roles to help improve processes and/or improve controls within Mansfield's financial operations and to update the accounting policies and procedures as required.

PROJECT APPROACH

Mansfield has reached a critical milestone and is looking to enhance accountability, transparency, and controls within the financial operations. As such, our project centers around three key elements:



Process -- The way municipal departments function is key to meeting operational and managerial goals. As part of this project, we take a cross-functional and cross-organizational view of the key processes in order to remove any workflow bottlenecks or unnecessary tasks, and enhance controls.

Technology -- Utilizing technology can be a major component of improving controls, performance, and achieving efficiencies. Our goal is to review the technologies currently in place within the Town and rethink how to enhance the technologies used in order to increase controls, efficiencies, and enhance the overall quality of services.

People – It is important to ensure people have the appropriate skill sets and training for their respective positions. Our assessment helps to confirm employee's roles, responsibilities, overall position objectives, as well as the current organizational structure and staffing levels. This helps to re-engineer processes and/or operational areas. Additionally, documented policies and procedures will provide direction to existing staff and serve as a training guide for future employees.

I. STATEMENT OF SERVICES PROPOSED

PROJECT OBJECTIVES

Our objectives for this project are to:

- Review the current operational processes, management systems, and controls of key operational areas within the Mansfield's Finance Department.
- Perform a risk assessment of management's ability to override controls.
- Identify control weaknesses within these areas and developing control improvements.
- Assess the roles and responsibilities of Finance Department staff.
- Review internal control procedures.
- Document the accounting policies and procedures in support of staff roles and responsibilities.
- Assess the current workflow practices and controls of the key financial operational areas.
- Review the current technologies used to process the aforementioned information.
- Document findings and gaps observed as part of the review.
- Update the accounting policies and procedures manual.
- Provide constructive and practical recommendations for re-engineering processes, enhancing internal controls and achieving potential change.

A. PROJECT METHODOLOGY

Blum Shapiro has developed and refined a structured approach to help successfully complete the project on time, within a designated budget, and meet Mansfield's needs. Our proposed approach is based on our experience and current methodology, which has been customized to meet your specific goals and objectives. As part of our efforts, acquiring an understanding of the current operational and management systems along with the core functions/policies of the Mansfield's Finance Department is imperative.

Recognizing that the Finance department is comprised of many functional areas with many diverse needs is a crucial factor to the success of this project. As such, we will actively engage and request the involvement of staff and management from the aforementioned area. By understanding the systems and operations both individually and collectively, we can help identify the common opportunities that will benefit Mansfield. Our approach to performing this assessment is to meet and work with many of the professionals to fully understand their core processes, integration, and opportunities for change.

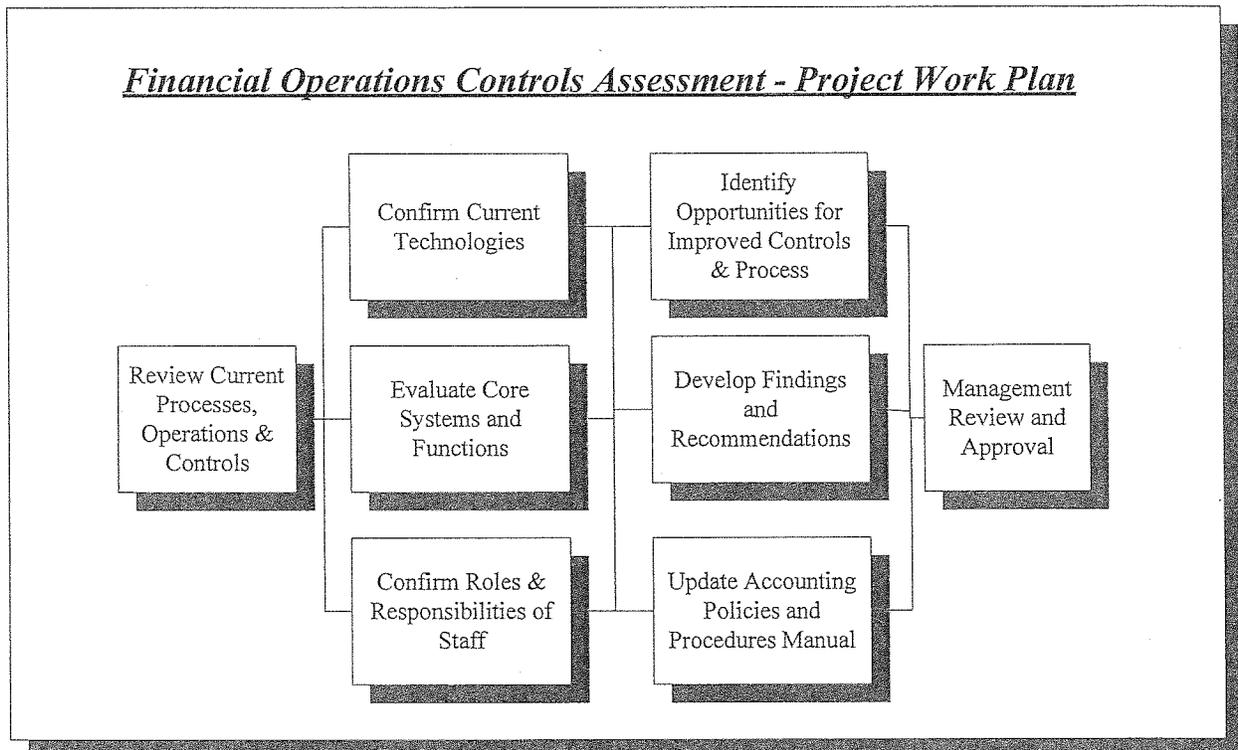
B. BEST BUSINESS PRACTICES FOR MUNICIPALITIES

Experience has shown that opportunities for improved efficiencies and controls often exist by utilizing or integrating the automated systems of various departments and/or operations. Based on the scope and depth of this project, the project team needs to review, evaluate, and ultimately recommend best business practices within the Mansfield's Finance Department. As part of our methodology and project approach, we have specific protocols to help review and recommend the re-design of processes in order to implement best practices and improve controls. We will develop process design models of the various operational and managerial workflows, obtain user input, and then incorporate these best business practice processes into our recommendations.

I. STATEMENT OF SERVICES PROPOSED

C. PROJECT APPROACH

We will obtain an in-depth understanding of the current operational and management systems within the Mansfield Finance Department. In addition, we will identify cross-functional systems and processes to understand their impact to all affected departments. We plan to accomplish this using the project approach outlined on the following pages.



Based on this, Blum Shapiro Consulting recommends a project approach that is comprised of the following tasks.

1. REVIEW CURRENT PROCESSES, OPERATIONS AND CONTROLS

During this task, we will obtain an in-depth understanding of the operations and management systems in place within the Mansfield's Finance Department. The project team will review the procedures and physical processes managing the flow of information within and between the various operating areas. This includes the following:

- Purchasing/Accounts Payable
- Grants Management
- Accounts Receivable
- Revenue
- Cash Management
- Financial Reporting
- Closing Procedures
- Debt
- System Interfaces
- Bank Reconciliations
- General Ledger
- Payroll
- Capital Assets
- Budget
- General Reconciliations
- Accrued Expenses
- Credit Cards/P Cards
- Process for Other Entities

We plan to accomplish this task by using the approach outlined below:

I. STATEMENT OF SERVICES PROPOSED

- Individual Interviews - Interviews will be conducted with key management personnel to gain specific information and perspectives on relevant issues. These sessions have proven to be an effective method for identifying user obstacles, concerns, and segregation of duties/responsibilities. The interviews are useful in obtaining operational information and for involving department personnel in the review process.
- Documentation Reviews – Throughout the information collection process, we will review the policies, procedures, and any other related documents developed to manage the current operational and management systems along with the core functions/policies of the departments.

2. CONFIRM CURRENT TECHNOLOGIES

A review of the current technology initiatives implemented by the Town will help identify the strengths and weaknesses of these systems and their effect on overall operations. The project team will review the use of the financial management software applications and interfaces in order to assess the effectiveness of these systems in the current business environments.

3. EVALUATE CORE SYSTEMS AND FUNCTIONS

Working from the information collected in the previous steps, we will compile and categorize the operational and management systems in place and the core functions that impact operations. The project team will document the key processes and controls in order to identify major bottlenecks and other factors that impact productivity and governance. We will also identify control weaknesses and suggest corrective action. Specific tasks will include:

- Developing process high-level flow diagrams of the current and proposed operational and management systems. This includes the following processes:
 - ✓ Purchase requisition process
 - ✓ Purchase order process
 - ✓ Reimbursements process
 - ✓ Accounts payable process
 - ✓ Bank reconciliation process
 - ✓ Time entry process
 - ✓ Payroll process
 - ✓ Extra duty process
 - ✓ Stipend process
 - ✓ Vacation process
 - ✓ Journal entry Process
 - ✓ Accounts receivable process
 - ✓ Position change process
 - ✓ Hiring process
 - ✓ Termination process
 - ✓ Budget process
 - ✓ Student activity fund process
 - ✓ Credit Card/P Card process
 - ✓ Administrative Office processes
 - ✓ Capital Asset Process
- Identifying control weaknesses and developing control improvements.
- Confirming and evaluating core functions that impact efficiencies within the Town.
- Identifying workflow bottlenecks.
- Summarizing streamlining opportunities.

I. STATEMENT OF SERVICES PROPOSED

4. CONFIRM ROLES AND RESPONSIBILITIES OF STAFF

As part of this task, we will identify the roles and responsibilities of key personnel within the Finance Department, looking for overlap of tasks and duties. Typically, in projects of this type, it becomes apparent where inefficiencies, control problems, and duplication of efforts exist. Our assessment will also consider the organizational structure and current staffing level of the department.

5. IDENTIFY OPPORTUNITIES FOR IMPROVED CONTROLS AND PROCESSES

Having completed the workflow, control review, and organizational analysis, we will proceed to develop proposed process changes for improvements. Part of our goal is to help ensure that our proposed processes enhance overall operations and controls. As part of this effort, we will document proposed workflows/processes and internal/operational controls to consider as part of “best practices.”

6. DEVELOP FINDINGS AND RECOMMENDATIONS

Having completed the workflow, control review, and organizational analysis, we will proceed to develop recommendations for improvements. Part of our goal is to help ensure that our recommendations are both practical and cost effective. As part of this process, we will document proposed workflows/processes, their costs (if any), and overall benefits to the respective departments.

7. UPDATE ACCOUNTING POLICIES AND PROCEDURES MANUAL

After completing the previous steps, we will assist with updating the Accounting Policy and Procedures manual for the Town. We will work with the Director of Finance to confirm the required information in the manual. Updated sections of this manual include:

- | | |
|----------------------------|-------------------------------|
| ✓ General Ledger | ✓ Purchasing/Accounts Payable |
| ✓ Receivables | ✓ Payroll |
| ✓ Cash Receipts/Management | ✓ Bank Reconciliation |
| ✓ Budgeting | ✓ Interfaces |
| ✓ Capital Assets | ✓ Capital Projects |
| ✓ Financial Reporting | ✓ Credit/P card tracking |
| ✓ Closing Procedures | ✓ Student Activity Fund |

8. MANAGEMENT REVIEW AND APPROVAL

At the conclusion of the project, we will meet with the Town Manager and Finance Director to review our findings and recommendations. Following that, we plan on meeting with the Council Finance Committee (as required) to further discuss and answer questions regarding the report or other discussion points of the project. These onsite presentations will include an analysis and supporting data for our recommendations. After this review, the project team will make the necessary changes to the report and submit the final document to the Town.

I. STATEMENT OF SERVICES PROPOSED

D. PROJECT WORK PLAN TIMELINE

Outlined below is a proposed timetable for the project. We expect that all tasks of the project will be completed in approximately 8 to 10 weeks from the start of the project. This time estimate includes all of the steps described in this proposal. The initiation or completion of certain steps may be affected by several time consuming activities, primarily:

- Scheduling individual interview sessions.
- Scheduling the review of the draft report with the Project Management Team.
- Holidays and/or vacations.

Every effort will be made to minimize the impact of these activities on the schedule to ensure the project completion date is met. Blum Shapiro has built its reputation by delivering quality services on time and within budget. We will use our project management experience and structured methodology to focus our resources on the tasks outlined in the project work plan.

II. PROFESSIONAL FEES AND EXPENSES

A. PROJECT FEE SCHEDULE

Outlined below is our project fee schedule, which includes the all-inclusive not-to-exceed price.

In order to estimate the effort required to perform this project, the following assumptions were made:

1. Interview sessions will be performed on-site. Each interview session will typically last approximately 1.5 to 2 hours.
2. The Town of Mansfield will assist in setting up the interview sessions.
3. Mansfield has a policy and procedures manual and it has been updated within the past few years. BlumShapiro will assist with providing changes to the manual.
4. Our fees include all travel and miscellaneous out-of-pocket expenses.
5. Additional consulting time and services outside the scope of this project would be on a time and expense basis.

To minimize project costs, BlumShapiro will utilize hourly rates as provided in the State of Connecticut's Department of Administrative Services/Procurement Services, Government Contract Accounting and Auditing Services to State Agencies, Municipalities and Not For Profit Organizations (RFP – 11PSX0010). BlumShapiro won this contract and will use the same reduced hourly rates as identified below.

Labor Classification Title	Labor Rate Per Hour	<i>8 weeks</i>
Partner/Member	\$280.00	
Director	\$265.00	
Manager	\$240.00	
Senior	\$148.00	
Staff	\$120.00	

Based upon the scope and assumptions detailed in this proposal, we estimate our fees for this project will be a maximum of \$35,500. The total amount billed will not exceed this figure unless previously discussed and approved.