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**TOWN COUNCIL EDUCATION COMMITTEE & BOARD OF FINANCE
MINUTES
JANUARY 6, 2021
*Revised**

CALL TO ORDER: Chairman Whitmoyer called the joint meeting to order at 7:01 p.m. All present joined in a moment of silence and the Pledge of Allegiance. The Chair asked all those present to pray that the unfortunate violence at our nation's capital and that everything works out and comes to an expeditious end.

ROLL CALL: The clerk called the roll and recorded it as follows:

Town Council Education Committee Members

Thomas Whitmoyer, Chairman
Joanne Glasser-Orenstein, Vice-Chairman
Michael Miller
Kevin Shively
Lisa Valenti (Arrived at 7:07 p.m.)
Carl Massaro, Alternate

Board of Finance Members

Lanie McHugh, Chairman
Paul Timpanelli, Vice-Chairman
Elaine Hammers
Martin Isaac
Steven Choi
Michael Barker
Marc Mascola, Alternate
Christine El Eris, Alternate
Vincent DeGenarro, Alternate

ABSENT:

Loro Rosasco-Schwartz and Donna Seidell

ALSO PRESENT: First Selectman Vick A. Tesoro, Chief Administrative Officers Cynthia Katske and Kathleen McGannon, Town Attorney Schopick, Town Council Acting Chairman Dawn Cantafio, Internal Auditor Therese Keegan, Town Council members Ashley Gaudiano, Eric Paulson and Jason March

DISCUSSION ITEM: Town of Trumbull, CT Education Department Operational Review

The Chairman welcomed the BOF and extended his gratitude for the joint meeting. They wanted to be as efficient as possible as they review the audit. The purpose of the meeting is to discuss the auditor's findings and concerns. The auditor was not present but would be at the January 13, 2021 meeting.

The Chair gave a brief overview of how the audit came to be:

- January 29, 2020 - The Town Council Finance Committee voted and approved to initiate the audit.
- February 3, 2020 - The Town Council adopted Resolution TC28-32 to initiate the audit and passed the resolution as emergency legislation.
- March 2, 2020 - The final scope was published for bids. It then went back to the Town Council for approval of funding.
- April 6, 2020 - The Town Council selected PFK O'Connor Davies Accountants and Advisors to perform the audit.
- June of 2020 - The Town Council adopted a resolution adding a fourth standing sub-committee, the Education Committee and was charged with the review of the audit.
- September 8, 2020 - The Education Committee held an organizational meeting. The audit was not complete at that time but expected within 4-6 weeks. Per the committee's discussion they would review general BOE operations, financials, COVID-19 responses, protocols, facilities and technology.
- The audit report is dated October 30, 2020 and was received as a pdf on December 23, 2020. It was distributed to the Council on December 29, 2020 and published on the website January 4, 2021. The Chair explained there were concerns with the October 30th date. As a result of a discussion with the auditor the Chair explained the October 30th date is the normal date of the initial draft completed, the additional time to December 23rd is for review and internal review. The auditor confirmed via email that he had sent the final draft of the audit on December 23, 2020. The Chair has the emails to support this.

The Chair read the following into the record:

The Town Council requested an audit, an operational review of the BOE for fiscal years ending June 30, 2018, June 30, 2019 and June 30, 2020, which will be known as the review period. It was to analyze and identify the accounting procedures of the current budgetary practices, current and financial controls. This was done in the hope they could provide recommendations for best practices moving forward. The auditor reviewed accounting procedures as necessary to assess the accuracy of the budgeted expenditures, appropriation, transfers and actual expenditures during the review period. The overriding take away from the audit is that the district's current and past processes for budget development, documentation and management monitoring are not adequate. In several instances the district doesn't comply with state law, best practices, established BOE policy and the Town Charter. Maintaining proper processes and procedures is critical to ensuring the BOE's ability to accurately and transparently budget and carry out its operation. Each year the town is tasked with determining a reasonable

budgetary allotment for the BOE. During the years and review, the town has significantly increased funding to the BOE. Despite these budget increases and for reasons unknown the school administration continued its noncompliant practices, which apparently has been going on for several years prior. However how well intended these practices may have been, budgets need to be forecasted, reported and accounted for with accuracy and transparency otherwise the system will break down as clearly has been the case.

The purpose of the audit was not to determine responsibility for the potential BOE's budget deficit, which was, identified early 2020. The auditor's findings make clear that failure to maintain proper institutional controls and procedures certainly were contributing factors, which created a situation where this would occur. All stakeholders in the BOE operational process, namely the BOE, the superintendent and business office need to put more rigorous processes in place to bring the BOE into compliance with state law, establish financial reporting policies and best practices. We can't let the current situation continue nor allow what happened in 2020 to happen again.

The Chair opened the floor for the committee's comments and concerns but did not want to get too deeply into the audit at this meeting, because he wanted the auditor to review the audit with the committee to keep it in context.

Ms. McHugh, BOF Chairman asked the Chair to review the Executive Summary. The Chair noted there was a tremendous amount of recommendations in the audit. Some of them have already been put into place. The Chair read page 3, 4 and 5 of the Executive Summary into the record (See Attached). The Chair stopped at the end of Special Education on page 5 and opened the floor to the committee and/or BOF members for comment.

Mr. Isaac noted what happened is shocking. They have been notified the BOE wasn't following the law. He would like to understand, how this happened, and when it started? First and foremost they have to get into compliance. It would be helpful if there were a concise list of the areas the law isn't being followed, areas that they are out of compliance with town policy. Spending beyond an account balance shouldn't be. There were 39 paras hired outside of the budget and questioned how that is possible. The timekeeping system purchased in 2016 has never been used. The audit is a comprehensive document and would like the auditor to walk them through it, especially the special education section. The solution and who is going to be responsible for this needs to be very tight.

Mr. Timpanelli supported and echoed Mr. Isaac's comments. After reading the audit, and having been involved in town government for 50 years he found this the most shocking and disturbing document with regard to the governmental processes he had seen.

The Chair explained the letter he read into the record at the beginning of the meeting is for the public, BOE, Long Hill Administration. The current BOE administration isn't responsible, their responsibility is to begin fixing and resolving, put safety gaps in place and have an ongoing discussion with them so that this doesn't happen again. He echoed Mr. Isaac's comments and has a list of eight concerns. The 39 employees hired but not included in the budget is one, the misuse

of special agency accounts is another, basically borrowing from Peter to pay Paul. T. D. Bank notes were taken out for leases without town authorization, transfer policies and procedures not followed, MUNIS not being implemented, town bidding process isn't being followed, Novatime wasn't implemented because they didn't have the money to implement. The town implemented theirs in 2016, but are paying a licensing fee for the BOE for nothing. The message to the BOE and BOE administration is that the current budget needs to be looked at and maybe take it back to start to fix it and have a plan in place. The education budget is 2/3 of the town budget. Last year's was a very difficult and contentious budget, yet they can't continue to fund a problematic situation. A dialogue is necessary and hopes the TC Education Committee can be the vehicle for it.

Ms. Glasser-Orenstein agreed with all of the prior comments and noted it is abundantly clear what the BOE practiced wasn't connected with the budget process. In some cases what was spent was 300% more. Ms. McHugh stated they will ask the auditor for the findings and for the documentation and/or the lack there of. Ms. McHugh compiled a list of questions for the auditor. The BOF has conveyed that there will be a clear and concise road map to how the issues will be addressed and who will be responsible for that. It was confirmed the BOE has the audit report. Ms. Glasser-Orenstein added the Gibson Report was done 9 years ago and none of those recommendations have been followed through on either. She would like these recommendations and/or changes actually followed through on.

Mr. Barker agreed with the prior comments. Over a year ago they asked questions on these topics through the BOE, they aren't new questions and is glad they are finally getting some information. He is interested in knowing who owns the shortfalls and to the extent the auditor can where law and/or accounting principles are not being followed. He requested which TPS staff positions that would normally follow the law and/or policy be provided if applicable.

Ms. Hammers agreed with Mr. Isaac's comments but isn't surprised, this has been her frustration for 30 years. When the town put in MUNIS the BOE lagged behind, they asked the BOE to use the same codes as the town used. Both the Director of Finance and Town Auditor have continuously ask for BOE information they either never get it or it's sent in a file that can't open or is told no one has time to give the information. The BOE is given a lump sum of money and it is their right under state statute to move it around however they want, they have an issue with special education as they are required to meet the needs so they may have to hire a paras they didn't count on. She has less of a problem of them moving money as she does with the internal lack of controls. Individuals should have certain permissions in the MUNIS system, she was appalled a payroll clerk could change someone's rate instead of Human Resource. When the town brought on a professional HR Director it was suggested it was time for the BOE to do so, the position could have been shared, but were told the BOE had other monetary priorities. The town gives them over \$100 million, controls are necessary. She understands their primary role is education but there is also a fiscal responsibility. It is time someone is held accountable. She isn't shocked or surprised she is angry and frustrated. Controls have to finally be put in place.

Ms. McHugh stated the audit does identify that controls have to be put in place and will see if it's sufficient or if a forensic audit is needed. That is a discussion for a later date, what is important now is how to get back on track moving forward. Ms. Hammers agreed she is not sure what they will get looking back at a forensic audit. The town has an internal auditor who has always approached things as being helpful, they can turn to her for help.

Steve Choi explained over the past three years there has always been some confusion on the BOE side, the transparency has always been opaque. There have been no answers, moving forward there should be transparency and more support from the BOE in communicating with the town side. He would like to ask the following questions: Why the time clock wasn't implemented and why was it not communicated to the town side that they didn't have the resources so the town wouldn't pay the \$100,000 in fees for the year? Are we responsible to pay for it if we didn't use the software? Benefits paid by the employee were budgeted but couldn't see the payments coming out from the employee, they weren't sure if it was going to a different account. He would like to know if the employee was paying their share of the benefits? How is it possible accounts to be negative? We need to talk to people who were involved in this and responsible for the accounts to see what happened, to figure out where the process failed. Moving forward the most important thing is to review procedures and run them parallel to see how the current process is running. This will be the only way to manage the budget correctly. Ms. McHugh believes the fees for the time clock are split and agrees it is something to follow up on.

Kevin Shively explained what is missing in the audit is responsibility, not to call them into account or to punish, it is to understand where this occurred so a system with checks and balances can be built. His main concern is with moving forward as opposed to a forensic audit. How did this affect the request for next year and does it change the budget materially especially the special accounts? Moving forward a plan needs to be developed, there needs to be structural changes. Follow-up is necessary in a few years to see what changes have been made. Ms. McHugh added in last year's budget in addition to the IT department on the town side space was added for cloud migration, this would open the ability for the MUNIS system to communicate from the BOE to the town. There had been resistance to do that in the past. These are questions worth asking. Mr. Shively added the Town Council Education Committee would be perfect for that information to flow to as a further check and balance.

Mr. Massaro stated the most frustrating of his 19 years serving was to adopt a budget and to see a totally different BOE budget the next day. An expense goes with the education world that does change significantly over the year, in areas such as special education, health care and are factors that require flexibility. Frustration of Councils in the past are budgeting for repairs, and technology only to have those never take place in the fiscal year. Although the audit wasn't a good read he understands the expenditures going from one account to another. He always questioned line items that didn't appear in the adopted budget but were incurred over the course of the fiscal year and their legitimacy without coming back to the boards for approval. His questions were:

Did the BOE balance out at the end of its fiscal year or were they over budget?

Mr. Isaac explained the lunch program was in a deficit when they closed out this year. They renegotiated the bus contract and applied that money not to the deficit but to the following year program. Ms. McHugh stated one of the concerns was that they were using things outside of their operating budget to balance their operating budget such as a special revenue account. There may not have been enough information in certain areas for the auditor to get a clear picture. There was a change of staff and he wasn't able to go directly to them. They will want to see the BOE controls so there is a better ability to see how they spent the \$107 million and believes that will be a positive moving forward.

The Chair stated when one comes to the council for an appropriation that is a communication. There is an initiative to fix the problem, that is not being seen now. If there is an account in a deficit because they borrowed from it to make the budget look good that is overspending. There is a BOE company credit card which is additional money spent not in the budget and questioned who has access to that and for what purposes is it allowed to be used. Ms. McHugh explained what is contained in the audit is from prior fiscal years and there is a new administration in place. They do appear to be very willing to work with us and she hopes for positive changes now.

Michael Miller had two questions:

Is there a formal body to be put in place to oversee this process?

What has already been addressed by the new administration?

Mr. Shively would like to know what areas were that the auditor had resistance and what recourse do we have to get the information from the people who have left the school system? Ms. McHugh did ask if there was an area of criminality they needed to look at and the auditor indicated if there had been an area of criminality he would have brought that to their attention right away. This wasn't something malicious, it was a case of how they made do and it caught up with them. Mr. Massaro stated the annual town audit does look at the BOE and the town has an internal auditor. Mr. Miller suggested the audits should be on a more regular basis, possibly monthly.

Mr. Marscola had two questions:

If they could look at the beginning of the year to see which accounts start at a deficit?

If there should be a zero balance budget v. using last year's spending. Building from zero and build from there. The Chair noted the auditor's comments was that they should be looking three years back and get the average, for example they budgeted \$65,000 per year for a line item when two years out of three they were spent \$100,000 and questioned why they didn't budget \$100,000. Ms. McHugh stated this is a good point, if there were to be zero-based budgeting, this would be a good time with a new BOE business manager. They are not able to identify what their payroll looks like now and if they could give the town those and other things the town would be better be able predict what their needs are.

The Chair read a portion of CGS10-248c to the committee, "Each BOE shall on a quarterly basis post the board's current and projected expenditures and revenues on the internet website of the

board and submit a copy of such current and projected expenditures and revenue to the legislative body of the municipality or where it is a town meeting or board of selectman.”

This is the first level of compliance. We need to start seeing these quarterly reports.

Mr. Miller stated a quarterly report is good but a more frequent report is needed until they feel this has been rectified. The Chair agreed, but noted he brought up the state statute as an example of it not being followed. Ms. McHugh stated if the BOE is having regular meetings and reviewing their financials the town should be able to follow that as well.

Mr. Timpanelli explained both committees have a lengthy, heavy document that points to a record of mismanagement in the education arena. We now have a reaction prepared to the document with a number of clear, serious recommendations. The town needs a commitment from the part of the BOE that is responsible for the implementation of this document and how they intend to do that. What is their plan and timeline, what resources do they need if any? How will this impact the next budget process that will be presented to them in a matter of weeks?

The Chair read into the record the remaining of the Executive Summary, (See Attached).

Ms. McHugh noted the audit report is available on the town’s website and on social media. She has questions regarding Novatime, purchasing and payroll.

Mr. Isaac explained with regard to the para’s he is more concerned on the process and is confused on how 39 people can be hired outside of the budget process. How did it happen and he wants to know what will be done to stop that from happening again? He is a huge advocate for having individuals assigned to each line item, it would be his presumption that the BOE would be responsible for monitoring compliance and the BOE Chairman is ultimately responsible. If that isn’t the correct conclusion he wants to make sure he understands who is responsible for getting it done and who is responsible for compliance.

Ms. Hammers explained paras may have been hired with a grant. They are not seeing the proper allocations for the grant, which is a comment the auditor made. Ms. McHugh added part of it was the grants, but also the lack of records in the special education department. They had a lot of trouble finding those records. IEP’s that identify special education requirements don’t happen until long after the budget process is done and the BOE doesn’t have the ability to say no. Mr. Isaac stated he understands one or two paras but the report mentions 39. Ms. Glasser-Orenstein doesn’t believe there was anything malicious but does feel strongly that there has been a culture of having a budget and an operating system that have nothing to do with one another. Her hope is that they will get away from having paper records that aren’t backed up. It has to be emphasized that a budget needs to mean something.

Ms. El Eris tried to identify if all the 39 paras were special ed or if some were kindergarten. The Chair noted that would be a good question for the auditor.

First Selectman Tesoro stated she will provide questions for the auditor for next week’s meeting, there are certain things in the report that the general public may not understand, one such area is

the budget support line. She would like the auditor to explain that as well as other areas of the report. The 39 paras continue to bother her as well and would like that explained to the public. She will provide more questions for next week's meeting.

The Chair extended his gratitude to BOF Chairman Lanie McHugh for her cohosting, the committee and board members in attendance as well as the community for their time reviewing this material. They discussed a lot of numbers and concerns, but the one thing left out is the process may not directly affect the children and staff but most certainly is indirectly detrimental of what they do to provide a quality education in this town. We continue to do more with less maybe we don't have to do more with less if we took what we have and followed it and really had a plan moving forward.

NEXT SCHEDULED MEETING: The next joint meeting will be January 13, 2021 at 7:00 p.m. where the auditor will be present to put this into a proper context and address their questions and concerns. The next step would be to meet with the BOE and the administration to start a dialogue to readdress the ongoing budget process. Mr. Massaro suggested meeting with the BOE soon as that would probably answer many of the questions. The Chair stated he would be looking to meet with them the week of Town Council committee, the last week in January.

ADJOURNMENT: There being no further business to discuss and upon motion made by Massaro, seconded by Glasser-Orenstein the joint meeting adjourned by unanimous consent at 8:32 p.m.

Respectfully Submitted,



Margaret D. Mastroni
Town Council Clerk