TOWN OF PALM BEACH

Office of The Town Clerk

REPORT OF THE FINANCE & TAX COMMITTEE MEETING HELD ON THURSDAY, FEBRUARY 18, 2010

I. CALL TO ORDER AND ROLL CALL

The Finance and Taxation Committee Meeting was called to order at 9:30 a.m. in the Emergency Operations Center, 355 S. County Rd., Palm Beach. Chairman Wildrick and Committee Member Rosow were found to be present.

II. PLEDGE OF ALLEGIANCE

Chair Wildrick led the Pledge of Allegiance.

III. APPROVAL OF AGENDA

The Agenda was approved as presented.

IV. REVIEW PROPOSED SCOPE OF WORK SUBMITTED BY CROWE HORWATH, INTERNAL AUDITOR

Chair Wildrick announced the role of the internal audit, which was discussed at one of the previous Town Council meetings was to assure financial and various other policies were in place to assure that the taxpayers' interests are protected. Typically, internal auditors report to the Town Council through the Finance and Taxation Committee. The Town Council discussed spending approximately $200,000 a year for the audit, and it was also discussed that it may be too heavy and settled on $150,000. This plan presented today comes in at less than $100,000 for the first year. It appears from a budget standpoint the Town is going in the right direction.

Chair Wildrick stated that Town Manager Elwell had requested that he be at arm's length from the process, so that in no way would there be any conflict of interest. The plan that would be presented was from Crowe Horwath. They interviewed several staff and the Chair to coordinate a scope and a review of the Town processes and procedures.

Committee Member Rosow did not have any comments prior to the presentation.

Finance Director Jane Struder stated that the internal audit proposal was from Crowe Horwath and would cover:

- Construction contracting
- Human Resources-related risks

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- Grant Management
- Accounts Payables
- Procurement risks

Finance Director noted those were the areas that Crowe Horwath recommended to be studied. She felt it was very important to study those items. If there were any risks that need to be mitigated, she would welcome their recommendations.

Ms. Deborah Garringer and Mr. Philip Stalcup from Crowe Horwath gave a power point presentation to the committee and a copy was provided for the record.

Chair Wildrick informed the Committee that Crowe Horwath held extensive talks with approximately 10-15 Town Staff from various departments.

Committee Member Rosow asked about the construction audit process and if they would create a template, to help reduce overruns etc. Ms. Garringer stated that they would develop a process to be followed for change orders, cost overruns, and bids that potentially could be a template for how the Town will conduct business.

Chair Wildrick said an internal audit ensures that it protects the Town from outside risks. Generally there are inefficiencies that save time and money. Ms. Garringer stated that a direct purchase of materials instead of having the contractors purchase is an area where Towns can save money. Chair Wildrick is not for cutting services and personnel and wants a normalized pay increase for the future, but in order to do that, they need to do it in a more efficient manner. An outside set of eyes generally more than pays for themselves. He reminded them to keep in mind the long term goal, and that sometimes when you are up to your behind in alligators, you forget the mission was to drain the swamp.

Council Member Diamond, who was in the audience, asked about the risk model and if it included hurricanes. A storm event would be considered an external risk, per Mr. Stalcup.

Committee Member Rosow noted that under Segment 2 there was no assessment of the balance sheets. He asked why it was not being looked at. Ms. Garringer responded that many categories will be focusing on the accounting in many segments. Investments would be looked at in Segment 3. She cited the Human Resources section, in particular, would address pension practices. In construction, there will be focus on the use of the bond funds.

Chair Wildrick felt that when there was a push back on the $200,000 fee, it was decided to start with a $100,000 budget for a "bare bones" audit and could add more items if necessary. Committee Member Rosow noticed there was no cash management and wanted that looked into. He recommended that it be added and is more important today than procurement.

Chair Wildrick agreed and it was decided to seek the approval of the Town Council to add as a priority segment immediately. Council Member Diamond asked about the analyisis of buildings, structures, vehicles. Ms. Garringer stated they did not analyze any town property or insurance coverage. Chair Wildrick stated that the purpose was to minimize costs and see if the audit provided any value. **Committee Member Rosow moved that they present the Town Council with the recommend audit items with the immediate addition of an analysis of cash management. The Committee agreed.**

Council President Pro Tem Coniglio, whom was also in the audience, was also in agreement but would wait for the formal vote in at the next Town Council meeting.

Town Manager Elwell made a brief overview for the additional piece, by stating that the Town would need the scope and costs within the next week from Crowe Horwath and they stated they would be able to comply. He welcomed the process and was glad it was a healthy thing to do. He did not want to interfere with the process and he embraces the process.

Finance Director Jane Struder reiterated the importance of the construction contract with the $40 million plus bond Worth Avenue project. She looked forward to the recommended efficiencies, especially with the staff cutbacks.

V. ANY OTHER MATTERS

There were none.

VI. ADJOURNMENT

There being no further business, the Finance and Taxation Committee Meeting of Thursday, February 18, 2010 was adjourned at 9:58 a.m.

APPROVED:

Robert N. Wildrick
Chairman