

**COMMITTEE ON ACCOUNTS, ENROLLMENT,
AND REVENUE ADMINISTRATION**

February 10, 1998

5:30 PM

Chairman Hirschmann called the meeting to order.

The Clerk called the roll.

Present: Hirschmann, Rivard, Thibault, Girard, O'Neil

Chairman Hirschmann addressed Item 1 of the Agenda:

Communication from the City Clerk requesting approval of up to \$800.00 from the travel and conference account for two staff to attend the Association of Records Managers and Administrators - Government Groups' Midyear Seminar scheduled for April 6-8, 1998 at National Archives in Washington, DC.

Alderman Thibault asked what is that.

Clerk Bernier answered last year Paul put a grant together for the federal government National Archives for \$34,000+. What is happening is that they are having a mid-year conference and everybody is getting together to discuss record management. When you apply for these grants, it is good to have on your resume that you are active in the association. It is also important that the City Clerk or whoever is in charge goes too because they always want to know who is the person in charge. With this federal grant, we have hired two professionals who are working on archiving documents.

On motion of Alderman Girard, duly seconded by Alderman Thibault it was voted to approve the request.

Chairman Hirschmann stated just for the Committee's information, we are going to start getting requests like this. What I did do was I called Alderman Wihby to find out when he put his travel budget together because it now is a separate item. You know, did Leo or did the departments give him numbers of travel. He said they did. I don't know if this was part of your number or something separate, but Alderman Wihby said he was going to forward, when the new requests come out, how much each department requested so we don't over-encumber the travel account.

Alderman Girard stated I know when the departments make their requests for their budget they traditionally include travel amounts. With a couple of exceptions, they never usually have specific travel ideas in mind. I think about the only one that has always been specific is the Tax Collector because she has to go to her conference, but I am not sure that the total moved into the Travel Account was the sum total of what the departments individually requested and what part of the Mayor's proposal...

Chairman Hirschmann asked how much is left in that account. Are we going to be able to track that account if the requests keep coming in here on a monthly basis?

Mr. Clougherty answered for the record our position was that as an Aldermanic Committee it is inappropriate to carry out administrative functions and that is really what you are doing. You are appropriating the money on one hand and then turning around and saying well, how it is going to be spent. So we had some questions at the time that this was done as to whether it was really within the scope of the Committee because if you start to get into...if you think about it, say there is an appropriation of X dollars and we get to the end of this cycle and there is not enough money there for extradition of a police officer...something that we got to do and then you guys have decided that the money isn't available and then it comes back to you. That is not a position that I think ordinarily you want to perpetuate and get into. I think you can set policies and things like that, but actually handing out the money and making decisions on an individual basis is not a good idea. We, years ago had said that and got away from it and then the last budget cycle came around, but I think you have to give some real thought to that. We will work with you and tell you how much is in the account and what the balance is and breakdowns.

Alderman Hirschmann asked if it would make sense to revert to the old way for next year's budget so that the department heads have their own travel and they only encumber what they budgeted for. Then if Leo doesn't ask for it, the money isn't there.

Mr. Clougherty answered right and if you don't like or you hear he has gone to something you can always call somebody in and ask why did you go there, what was it for, justify it. You can set policies that say that any travel will be followed up with some type of report to you letting you know. I think that is a much better policy position for the Committees in then where we are going this year, but we are in it. You have still got the \$15,000 and certainly this request isn't going to put you over but it is something to consider going forward.

Alderman Rivard asked when the Highway Department submits a budget and we ask for \$5,000 in travel and the Board approves it that money is transferred out of our department to this Board. Mr. Thomas can't make decisions on where he wants to spend that money?

Mr. Clougherty answered yes, this year.

Alderman Rivard responded so this fiscal year all of the money that has been allotted for travel went into this pool and for people to draw off that pool they have to come here and get approved.

Mr. Clougherty responded you got it.

Alderman Rivard replied that is a lot of bologna.

Chairman Hirschmann stated before we go down that road, a recommendation has to be made if you want to go back that way to tell Alderman Wihby, who was a supporter of creating this, and attach a way that we want to do something different.

Mr. Clougherty replied it is okay to look at this and you have gone through it and now maybe you say lets go back and that is okay, but down the road the way it was working was fine. The departments were held accountable. I don't think anybody really abused travel.

Alderman Rivard responded no, because you only got half of what you asked for.

Alderman Thibault stated why don't we get Alderman Wihby to come in here to explain to us his reasons or why he would like to have that and then maybe we can go back to the old way if he doesn't have any major objections or if he can't show us that there is any problem with that.

Alderman Hirschmann replied but his policy was adopted by the whole Board so it is more of this Committee deciding what they want to do and making a recommendation to the Board.

Alderman O'Neil responded we have to live with this through June 30.

Alderman Thibault asked can we send it back to the Board to reconsider.

Alderman O'Neil answered we can't do that. It has already been approved.

Alderman Girard stated first of all Alderman Wihby did not do this by himself. If memory serves there were a number of Aldermen who were rather prickly with the departments because they had travel in their requests and of course we were all trying to be taxpayer friendly so we took the money out, chopped it down, and threw it into an account controlled by a Committee of Aldermen. I think it is probably something Alderman Wihby proposed to try to get the budget through so it doesn't lay entirely at his feet, but the other thing I might add is with the new charter it may be possible to transfer the funds from the account it is in now in some pattern back to the departments so that they have control again. The new charter does allow us to do mid-year transfers between appropriations or whatnot so that might be possible. The question is who gets what money and I am not sure that we could equitably determine that. That being said, Mr. Chairman, I would make a motion that this Committee send a recommendation to the Board that the department's travel appropriations be restored so that the departments have an appropriation within their line items that they are responsible for expending without the oversight of this or any other Committee.

Chairman Hirschmann stated in my opinion, we are three-quarters of the way down the road. I say we finish out this budget cycle, make a policy decision like he is recommending for the next cycle.

Alderman Girard replied but you are in that cycle now because the Mayor is in the process of preparing his recommendations to the Board and may, in fact, be preparing those for the next meeting.

Chairman Hirschmann responded so it would be appropriate for his motion to go through and let the Mayor know that we have different ideas.

Alderman Girard stated that is why I made the motion, Mr. Chairman.

On motion of Alderman Girard, duly seconded by Alderman O'Neil, it was voted to send a recommendation to the Board that the department's travel appropriations

be restored so that the departments have an appropriation within their line items that they are responsible for expending without the oversight of this or any other Committee.

Alderman O'Neil stated we also should include, as part of the policy, as Kevin recommended a follow-up report or something so we have some idea of what is going on out there.

Mr. Clougherty replied if you read the current travel policy that was adopted, and was really worked on by this Committee, it does require that type of a follow-up I believe, Randy, doesn't it.

Mr. Sherman answered no it doesn't, but what you may want to do Aldermen is let us bring that policy to the next meeting, review the whole policy as a package rather than...and if you want to add that then we can do that.

Chairman Hirschmann addressed Item 2 of the Agenda:

Communication from Roland Gamelin, President of Riverfest, Inc., seeking the City's aid with their financial obligations.

Chairman Hirschmann stated this is on the agenda I don't think for everyone to vote on, I think we sent this back here as a baby-sitting item until we were repaid. Kevin stated at the full Board meeting that they did make an offer to pay us three-quarters of the amount.

Mr. Clougherty answered we have a compromise that they will pay \$15,000 currently and they will make up the difference out of this year's proceeds rather than writing it off, which we feel is the right way to go.

Alderman O'Neil asked do you want to receive and file it or table it.

Chairman Hirschmann answered it is something that I want to try to track in this Committee.

Alderman Girard stated, Mr. Chairman, I think we can count on the Finance Officer to come back to the Board or to this Committee if there is any problem with the agreement. I don't think we need to carry this on the agenda for the next year and a half.

Chairman Hirschmann replied well I purposely sent this here for that purpose so I prefer tabling it myself because it has been two years without being tracked and without anyone discussing it.

Mr. Clougherty responded well as you know we track it as a receivable. It shows up on the statement so you don't have to worry about it from that end. If you want us to red flag something and let you know about it we can do that, but it is being recorded and it is being tracked.

Chairman Hirschmann stated I am not making these people out to be bad people. The question in my mind was how many other Police receivables are like that, that are details and maybe they are 90 days or plus. Can we get a record of that? Maybe we should start looking at the Police.

Mr. Clougherty replied we did a report on extra detail a couple of years ago. It really lays out what extra detail is and how it works and maybe what we should do with the new Committee is get that report to you because the mechanics of it changed. It shows you how the thing worked. We can take a look at what they received, but for the most part we don't see, we don't hear from the Police Department that they have a problem in this regard.

Alderman O'Neil stated this is a very unusual situation.

Mr. Clougherty responded I think it is.

Mr. Sherman stated mainly for the fact if I don't pay my bill this time I don't get the Police the next time I need them so most of them pay. The only time they have a problem is when somebody leaves town.

Alderman O'Neil made a motion to table this item. It was duly seconded by Alderman Thibault. A vote was taken with Alderman Girard opposed. The motion carried.

Chairman Hirschmann stated I think you should probably abstain from that vote because you were on that Committee when those funds were encumbered for the past two years.

Alderman Girard replied I resigned from that Committee when I was elected and I have no conflict, Mr. Chairman.

Chairman Hirschmann stated but when those funds were spent you were part of that Board.

Alderman Girard reiterated I have no conflict, Mr. Chairman.

Chairman Hirschmann addressed Item 5 of the Agenda:

Communication from the Finance Officer submitting a copy of a letter from UniFirst Corporation relative to the City's Procurement Code.

(Note: referred to the Director of Public Buildings Services on 1/27/98 for report back to Committee.)

Mr. Houle stated I raised the question at the City Solicitor's Office. I have a copy of the City Solicitor's response (handed out).

Chairman Hirschmann asked can you tell me what this says.

Mr. Houle replied it says that it is permissible to extend the contract at the same or lower price for another year or part of a year. The last paragraph kind of...pursuant to this section a contract for the same or lower price on the same terms may be extended for 12 months per extension. It does not limit the number of 12 months extensions that can be granted once a prior extension of the contract has expired. My original question was could the same or lower price that was extended for a single year be extended for five or more years. The basic answer is yes according to the City Solicitor.

Chairman Hirschmann stated the Procurement Code that the Board sent to you, if that Central Purchasing piece was passed would this still be true.

Mr. Houle replied no. I am not certain as to whether this question was addressed. But certainly it will be addressed in the future.

Chairman Hirschmann asked if Mr. Houle were planning on bringing that back to the full Board soon.

Mr. Houle answered well I don't know about soon. I will be meeting with the QM Committee of the department heads this Friday morning. I have an 8 a.m. meeting. I am not sure how much we will bring to the Committee.

Alderman Thibault asked if he was looking for a one year extension with this. Is that what you are looking at or a five year extension?

Mr. Houle answered no. A question was raised as to whether it was permissible for a contract in a particular department to be renewed for five years. The City Solicitor's ruling is yes, it is proper according to the current Procurement Code. I think there is a sense that perhaps this section ought to be looked at.

Mr. Clougherty stated in the past we have always understood from the Solicitor that you could only do one year extensions and that is what we have followed. The reason for that as was explained to us in the past was because the purpose and the spirit of the Procurement Code is to bid, to make competition available so that everybody has a chance to bid on it, not to make it so that things could be prolonged. So this is different than what we heard and that is fine. If there is a change of policy then we will go from there, but I do think that in response to the original question that is being raised from this company that is saying that they are being pushed out and not being given a chance to bid because of this ruling, it may not go away and you may see that in some other form.

Alderman Rivard stated the question was posed because of a contract at the Highway Commission executed in a uniform rental program. The Highway Department has used that process in this particular area for several years without any difficulty. It is a small part of our expenses and we had a difficult time getting a vendor who would provide the type of service they were looking for and the Public Works Director was very satisfied with these people providing us with their service and encouraged us to take advantage of this Procurement Code so that is the reason why it has been extended more than one year. We checked with the City Solicitor and he advised us that we could do that. That is the reason why that is here. It is not a major bidding item, but we did have some problems in the past and when we had this particular provide the service, everybody was happy and they said look it you can extend it for the same price and that is why we did it.

Chairman Hirschmann stated what tends to happen, I believe is that Boards and Commissions act in the best interest of the departments functioning and the taxpayers at the same time and if something goes on bid for a certain amount of time you are questioning where it is appropriate and ethical. That is probably why this is coming to light. There is a guy that wrote a letter that has a cleaning company and he wants to know why he can't bid. He asked for a ruling and we got it.

Alderman O'Neil asked so everything is within the law, correct.

Chairman Hirschmann answered according to Thomas Arnold, III, this is appropriate under 35.103 and the only thing I can tell you is that a special Central Purchasing Committee did work hard last year to make sure that bidding

happened. That was referred to Mr. Houle and is still in his department jurisdiction and once that Code has passed this would probably change. It would have to go out to bid.

Mr. Clougherty stated if I may, I will send a copy of this to the individual that raised the question and that will answer his question.

Alderman Thibault stated this will no doubt come back constantly to us and I have to agree with the Chairman here that if you hold that thing to that same vendor for so long and I know I have been involved in things like that before where I worked, he is right. It kills the competitiveness of other people.

Alderman O'Neil replied but the price could come back higher, you know.

Alderman Thibault responded that is what you always think.

Alderman Girard stated the price could come back higher, that is certainly the case, but the Committee has evidence here. I don't know what we are talking about in terms of dollars for this contract but we have evidence here that the price could come back lower too. I generally don't have a problem with the practice of extending a contract at the same or a lower price but if you have outside vendors coming in to say wait a minute, I can not only do better than this but I can do much better than this, we should have some mechanism to be able to say lets go through the process and find out.

Alderman Thibault stated I have no problem with one year but with five years I have a problem.

Alderman Girard replied I really don't have a problem with the process again, but in this case we have been shown that...what are we talking about in terms of dollars for this contract. Does anybody know?

Alderman Rivard answered I am not sure but I think it is several thousand.

Alderman Girard replied well if it is subject to the bid process it has got to be over \$2,500.

Alderman Rivard stated well I am sure Mr. Thomas would be glad to tell you that. I can't tell you.

Alderman Girard responded I don't have a problem with the process but how do we handle the situation when a vendor comes in and claims that he can do better

than the deal the City has already got. I suppose at that point maybe we would look at sending it back out to bid.

Chairman Hirschmann answered you make a case for our Central Purchasing Manager.

Alderman Girard replied I have been trying to do that for five years.

Alderman O'Neil stated what are we saying by that though. That the Highway Department can't handle bidding uniforms for their department?

Chairman Hirschmann answered that is the road we have already started going down.

Alderman O'Neil replied but is that what we are saying. The need for Central Purchasing? I have full confidence in the Highway Department doing their job here. I think it may be appropriate to receive and file the letter.

On motion of Alderman Girard, duly seconded by Alderman Rivard, it was voted to receive and file this item.

Alderman Girard stated I don't think anyone is questioning the Highway Department's ability to do their job, Alderman. I think the point is though that Central Purchasing...the Highway Department is not the only department that has got dry-cleaning needs or something like that and the idea of Central Purchasing is to do it in such a volume that the unit price falls for the City in general. I don't think there is an implied criticism of the Highway or any other department about not being able to get the best price for the service. The City, as a bulk purchaser, could probably do better.

Alderman O'Neil replied I don't disagree with that but I don't see that we are close to that process so if you know more than I do, Mr. Chairman, I would appreciate getting information on that.

Chairman Hirschmann answered well the Central Purchasing Committee met all last year and Chairman Houle, who was a Co-Chairman with me and we are close to a central paper process. We took initiatives to have letterhead and other things centralized, didn't we?

Mr. Houle replied yes. There are two items that, as soon as we figure out how to implement them we are pretty close on. One is standardized stationery for the City and envelopes in which we would preprint the envelope with a seal and preprint the stationery with a seal. Everything else comes off the computer. Everything else, you know the Commissioner's name, the Department, all that. It is worked out. We know how to do it. The second part we have...we did seek from the Board and we were authorized to issue a Request for Proposals for office supplies. We do have a bidder who we are prepared to recommend. There are a couple of pieces we are trying to make sure we can fit together. One is that the list of supplies get loaded into the HTE system and it hasn't been their highest priority so I can understand that. Secondly we are also looking at perhaps a new way of paying for it. So we are looking at a paperless and stockless office supply system and we hope that this all falls together in the next few weeks.

Chairman Hirschmann stated well what I think I will do is on the 17th seeing as all the new Board members don't know about that initiative is I will ask the Mayor for you to give a two minute presentation on it or should I wait until March.

Mr. Houle stated I am going to be meeting with the department heads on the QM Committee this Friday morning. They have their agenda and I think, you know, that is the point I am going to raise as to how we can move forward with these two items because we are ready to move.

Alderman O'Neil asked do we give any preference to Manchester businesses.

Mr. Houle answered no, not currently.

Alderman Thibault asked why not.

Alderman O'Neil stated that is a particular case here in this we are doing business with a local vendor and the firm questioning it is a Nashua firm.

Mr. Houle responded I think the method, at least from my perspective, what I hope to expand on is a Request for Proposal. It is very limiting now. The only time that you can request or that you are supposed to be able to request a Request for Proposal is when the outcome is difficult to measure. So basically you have to go to straight bid and you have to accept the low bid regardless of where the person comes from unless you define, by Ordinance, a specific cut-off as to what this is worth. By using a Request for Proposal certainly one of the items you would consider could be that he is a local vendor.

Chairman Hirschmann stated one of the truthful things we did is that we went on the Internet. There is a procurement process on the Internet. All the bids and solicitations are there. You could get a bid from Seattle, or Taiwan or anywhere so it is going to save the taxpayers money.

Alderman O'Neil asked is that, are we kind of kicking ourselves by doing that. Should we be supporting local business? I would be interested and we are not going to solve anything, but the Finance Department's comments and Dick your comments on that. I think it is an economic development issue that we should be doing as much business with local business as we can within the present Ordinance and if we need to change it to do that I would certainly be interested in doing something like that.

Chairman Hirschmann stated well if the best deals are always right here in town the Finance Officer wouldn't have to fly down to New York to buy bonds and things. So anyway that is what is going on procurement wise. There are some initiatives happening.

Chairman Hirschmann addressed Item 6 of the agenda:

Discussion of internal audit program including recommended topics and schedule.

Mr. Clougherty stated at the last meeting we had talked about how to get the internal audit program going as a follow-up to what we had talked about with the management letter, the external audit. With us tonight is Scott McIntyre from, as you may recall, is with Melanson-Heath and made the presentation about the internal audit program. We also have Theresa Avampado and Robert DeCoto who are the internal auditors in our office. What we would like to do is get before you just the concept of what we want to do here as an audit program and if we have got some consensus then we can come back with a program. I am not going to ask Scott to make any formal presentation. He is just here to make sure that what we are telling you is on the up and up here so that this thing gets off on a good foot. If you look at the Definitions Overview and just walk through this closely and you can read it on your own. What we are trying to do is put in place an internal control structure that is going to take into consideration how the City goes about making sure that payments aren't made that aren't proper. That is the bottom line. In accountantease here we are talking about the control environment and the accounting system and control procedures but really what we are talking about is how do we safeguard the City's dollars to make sure that they are only being spent on what is appropriated and that they are being spent efficiently. If you take a

look at the different controls that are there, you talk about the organizational structure which says for example that the Highway Department can't spend the Finance Department's money and those type of things that exist. You have the Board of Mayor and Aldermen who have a role in appropriation but because they appropriate they don't spend. There are controls there too in terms of everybody has a role. I have a role, you have a role, the Mayor has a role and those are all put in place in the charter to make sure that nobody overlaps and that this thing doesn't and that when we say to the outside investors that you can have confidence in us that we are going to make...that we are giving you good financial statements and we are running this business well. It is because of these controls that somebody isn't trying to do somebody else's job and overlap. You have the methods of signing authority and responsibility. For example some supervisor in a big department can't authorize payments. It has to come through the department head. You have all those things that are set in place. As you go through those you policies and practices and external influences and all the things you might expect. So in order to put into an effective program of audit what you have to do is understand what the chart of accounts are and what the revenue structure is of the City and what the actual structure of the City is. How are we structured? Who has the responsibilities to do what? One of the nice things that an internal audit program can do for you is come back and by department or by issue explain to you how things work and what the controls should have been and why they worked or didn't work and then give a recommendation to get it fixed and make sure that in going forward everyone is protected. So that is really what we are talking about in terms of having these individuals get involved. If you take a look at the internal control areas of the audit steps, when they go out into the field to audit something or take a look at how something is being done they can't just go out and...but if they go out and do these reviews that they have to follow the standards and make sure that what they come back with is something that is professional, that is not malice, that is really just trying to do their job of saying this is how this thing works and going from there.

Chairman Hirschmann asked if there would be a cost associated with any internal audits that we would ask for or request or whether it was already budgeted for.

Mr. Clougherty answered it is already budgeted for the most part and that is what we have to talk about is what is the normal scope of the audit program we want them to engage in and then what are some of the special things. For example, the other day Tom Clark and I met with one of Scott's protégés to talk about the cable company. They are doing an audit in Concord of the cable company and there are some things that they found in doing that audit that may be of interest to the City of Manchester. Now we did the audit of our cable company in 1994 maybe and it was fun. In our meeting we found that as a result of our having done the audit in

1994 it looks like our agreement with the cable company may be a little bit better structured than Concord's was so ours is more efficient, but that doesn't mean that the cable company might not be doing some thing outside there. So we would recommend, again, a specialized audit of the cable company. That is not something we want them to do, that is something we want somebody else to do. So we are going to have to lay down the groundwork of what is internal and what is external and who is going to do that and what resources would be applied. That is what we want to come back to you next time and say okay here is the scope of what we think the internal should be and what we want to go to. If you take a look on that second page it talks about internal audit steps. These are the things that we would like to work with the Committee on to make sure that you do obtain an understanding of the City's structure and what is out there, that we do document the understanding, and this is not just for this Committee. We find that if you go into the department there is a lot of times that the department thinks they are doing the right thing and it is just that we have no codification of what the rules and regulations are so sometimes it is easy for them to get out of compliance. So it is not that you are going out trying to clean somebody's clock as much as trying to say oh, this is the rule. If you follow this you are going to be protected, the City is going to be protected and everybody else is going to benefit from it. So once you understand all that then we can plan the audit, perform the audit, document the results and provide recommendations to move forward and that is really the cycle that we want to go through. There are a couple of ways that you can approach these things. You can go by department or you can take a look at cycles. We would rather look at cycles than try and say we are going to spend X amount of time looking at this department and that department. For example you have the revenue cycle, the expenditure cycle, personnel and others. We like the revenue cycle to start with. We would like to at least leave tonight with some consensus from the committee that we can put together a program to take a look at the revenues because that is where the cash comes in. We want to make sure that the cash is being handled properly whether it is at the airport with credit cards and over-the-counter types of things or in the tax office or wherever. So as long as you are looking at that cycle then we can say all right we will either take all of the departments alphabetically and look at what they are doing with respect to collecting revenue or we will take the biggest cash exposure and look at them first and work through the program that way. We would like to come back in the next couple of weeks and say here is where we would like to start the focus and say why. Then we can maybe go out and try and do one of these on a scale and just get a feel for how that works. Once you are comfortable with the procedure in this pilot we can start to do something a little bit broader and carry it on to some of these other areas.

Chairman Hirschmann stated I think that is a good plan going on revenue and expenses so that it doesn't denigrate into some kind of witch hunt type thing.

Mr. Clougherty answered right. You are looking at the cycle. You are looking at everybody and how they are doing it and you start with the biggest and go from there.

Chairman Hirschmann responded so everyone feels that this is a process that is ongoing and it is not a deliberate act by any Alderman.

Mr. Clougherty stated if it comes from this Committee and the Committee knows that we are going to be following these steps then I think it gives some comfort to the departments to that what we are really trying to do is improve and protect the City. We are not trying to find something wrong here, we just want to fix the procedures to make sure they are done right.

Chairman Hirschmann replied the only exception I can think of is I read the management letter and there was a recommendation saying that the development corporation should go through the process. I think that would be a special...

Mr. Clougherty responded what we are talking about there is having an external audit performed by these guys (Melanson-Heath) and that is what you want there not an internal audit. You want an external audit.

Alderman O'Neil stated so everything you are talking about here is internal audits. Specifically is there an issue that...is it the first issue on page 3 of the management letter or are we kind of cutting into a little bit of several of their recommendations here.

Mr. McIntyre responded I don't have even a table of contents to speak to what your comment is. Is there one titled Departmental Receipt Procedures?

Alderman O'Neil replied there is one called Revised Format of Treasurer's Cash Book, but then you talk about reestablishing reconciliation procedures.

Mr. McIntyre directed Alderman O'Neil to the back of the report.

Mr. Clougherty stated at that time that we had just been given by the Board the staff to do this so now is a good time to start planning with this Committee how we are going to do this and make sure everybody is comfortable with it.

Mr. McIntyre stated as part of our external audit we go to a number of the departments and procedures aren't necessarily uniform by department and I think what an internal audit division can do is they can take the best steps that are out there from certain departments and try to focus the departments that may not have their procedures quite as sound and improve them so you get some uniformity amongst all the departments. You improve controls that way.

Chairman Hirschmann asked so their audit findings would include recommendations.

Mr. McIntyre answered exactly. It is important, I think, for an organization of this size to have internal auditors. The external auditors are in a couple of months out of the year, maybe three weeks before year end and then a couple of months after year end we come and go through all the numbers, but as you folks know there is so much going on here 12 months a year that it is important to have an internal audit staff to know what is going on.

Mr. Clougherty stated I would just like to point out that while we are doing this on the City general fund side, the School Department has an internal auditor that they put in their budget this year so they can do it in the school too. So there will be some opportunity for the auditors to interplay here as well.

Chairman Hirschmann asked whether the auditor should be in the Finance Department and not in the school.

Mr. Clougherty answered well they have separate management responsibilities under the statute so I think the end result is good so if we...

Chairman Hirschmann replied they are auditing themselves basically. I mean if they were under Finance wouldn't it be better?

Mr. Clougherty answered I think if this is something they want to start, let's try. As long as it is getting done, that is the healthy part. Down the road if there are some issues then we will deal with it but let them try.

Alderman Girard stated I am sure every department would love to audit itself, Kevin. Are you saying that the City has no statutory ability to audit any school department function?

Mr. Clougherty answered no. I am saying that the School Department, on its own initiative, worked with us on this. I think we are better off having them, you now you have a Superintendent that is a CPA and has a little bit different approach than some of the ones we have had before.

Alderman Girard asked whether or not this Committee or the City of Manchester has the ability to audit the School Department.

Mr. Clougherty answered there is no question that we have the ability to do that if we want to exercise it. Right now I think it is going in the right direction so why give them a hard time. Let them try to get it started.

Alderman Girard replied I wasn't trying to suggest anything I was just merely asking a question about ability.

Alderman Rivard stated in the auditing process as you develop your remarks, I am sure that you folks have like a draft so that you discuss it with the department head and make sure that they have an opportunity to respond to your finding.

Mr. Clougherty answered it is required. If we don't do that then we are in violation of these standards and you guys should be all over us with the department heads.

Alderman Rivard asked that is required by the State, too.

Mr. Clougherty answered this is required by the federal standards.

Alderman Rivard stated the reason I am asking is that my probate court has been audited by the state and we get findings from them without an opportunity to participate and I think it is very, very unprofessional. So if we are going to find fault with these departments, we have to give the department heads an opportunity to respond. That is all I am asking because I have experienced the opposite from the LOB and there are several things in the report that could have been resolved if they brought it to someone's attention because it was their understanding.

On motion of Alderman Girard, duly seconded by Alderman Thibault it was voted to start the internal audit plan with revenue.

Alderman O'Neil asked what the scope of that is. Where specifically? What departments?

Chairman Hirschmann stated I was thinking of that question as well because I was thinking of revenue shortfalls. If we are going to audit revenue, lets look for the shortfalls. If you see the brackets around the numbers, I mean that is probably where we want to start.

Mr. Clougherty stated if you go ahead with the revenue on the motion here and we can talk about what that entails and talk a little bit about what it entails this time so you can take a look at it so you can give us your feedback and then we will go back and take a look at how would you approach these revenues in audit and give you some definitions as to how that might work. That is what we are looking for tonight. Once you tell us revenues is what you want to concentrate on then we will hand these out, walk you through this quickly tonight and then at the next meeting or the meeting thereafter you know how ever long it takes us to come up with a good plan, that is when we will come back and say all right here is how we want to do it. Again, we want to make sure that the first time out this is something that is manageable, that is going to be useful, and it is a chance for you and for the auditors to interact here and feel comfortable. Then once we have got one done, then you can expand it and go forward. Does that sound fair?

Chairman Hirschmann asked about the length of the process for revenues. When do we shift gears and look at expenses because we are going to tie them both up on Revenue Administration. Is it a two month thing?

Mr. Clougherty answered I think the revenues is going to take you awhile and that is important. We remind you that we are always, on an ongoing basis looking at the expenses as they come through because those are being tested against the Procurement Code and the appropriations level. Certainly if there is some time that we need to do something specialized in that area we can expand, but for right now we would really like to, instead of getting into a whole bunch of different shotgun approaches, we would like to keep it narrow so that this Committee gets familiar with the regulations and the process so that once we are comfortable with how that works you can build on that. You get confidence on what they are doing and how it works and that is when it has some credibility. If you go out and try to do something scattered I just don't think it is going to be a success. We want this to endure long-term. This is a long-term thing that the City should be done now ongoing so we want to make sure we get off on good solid footing and that it is done properly.

Alderman Girard stated the Committee on Administration is about to start in 45 seconds and I wonder whether or not we could just have the Revenue Handbooks handed out to us tonight and have the Finance Officer walk through the handbook and what he wants to consider for revenues at the next meeting because I really don't want to be rushed through this. I would rather take some time to consider it.

Mr. Clougherty stated we will hand out the Revenue Handbooks so you know what that encompasses and in another couple of weeks or a month we will come back with a plan to audit that and how we would like to proceed with that, which will show you a long-term approach. We think that is more reasonable. That gives you some time to take a look at this and say you know I have a concern about this or I have a concern about that and that gets factored into our thinking too.

Mr. Sherman stated the Revenue Handbook is something we put together for the first time about five years ago. We update it, sometimes every year and sometimes every two years. This book is two years old at this point so when you are looking at the rates that we may have in there they may not necessarily be the latest, up-to-date rates but that is something we know needs updating.

Chairman Hirschmann stated the Clerk just informed me that beginning of the meeting on the 17th there would be some time. Is that right or March 1?

Clerk Bernier replied the first meeting in March we have 6 p.m. to 7 p.m. if you want to sit down then with this Committee to talk about revenues.

Mr. Clougherty stated what is in there is every single revenue that the City receives and a description of what that is and under what authority we collect it, whether it is an Ordinance or state statute or whatever so you get a general description of what it is. There is an index in there. If you want to know what are the revenues that the Highway is collecting, you can go to that table in the middle of the document and it will show you everything, they have everything, the tax collector collects everything, school collects and then you can go to each one of those individually and find out the description. The latter half of the book is really historic information. It shows you how much was collected for that revenue by month, by quarter, by year for five or six years. So if you want to know what is the boat tax, you can look it up in the beginning, you can find out who collects it and you can find out how much we have collected over the last number of years. Then when you get the financial reports from us you will have some idea of what we are talking about and what we are auditing and that is one of the things we want to give some thought to in terms of approaching this. We want to take a look at those and just say okay we are going to take all of those federal and state dollars

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because that is where the big money is or we want to look at something else or how do we want to approach it.

There being no further business to come before the Committee, on motion of Alderman Thibault, duly seconded by Alderman Rivard, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee