

(The following is not a verbatim transcript of comments or discussion that occurred during the meeting, but rather a summarization intended for general informational purposes. All motions and votes are the official records).

AUDIT REVIEW COMMITTEE

A meeting of the Audit Review Committee was held on Tuesday, August 23, 2022, in the Council Chambers, City Hall, Cranston, Rhode Island.

CALL MEETING TO ORDER:

The meeting was called to order at 6:05 P.M. by the Chair.

Present: Council Vice-President Robert J. Ferri, Finance Committee Chair
Councilman Richard D. Campopiano
Joseph T. Beaudoin
Anthony V. Ricci
Dean Perdikakis

Also Present: Councilwoman Jessica M. Marino
Anthony Moretti, Chief of Staff
Michael Igoe, Acting Finance Director/City Council Controller
Christopher Millea, City Solicitor
David Dimaio, City Council Budget Analyst
Rosalba Zanni, Acting City Clerk

OLD BUSINESS:

NEW BUSINESS:

- *Introduction of Members*
- *Review of purpose of committee (based on charter's definition)*
- *Review of FY21 Audit*
- *Update on status of FY22 Audit*
- *Comments and suggestions from the Committee members*
- *Scheduling of next meeting*

Chair asked everyone to introduce themselves and give some information of their background.

Mr. Beaudoin introduced himself and stated that he is an Auditor.

Mr. Perdikakis introduced himself and stated that he is a Civil Engineer primarily in real estate, carwash and laundromats and employs approximately 110 people.

Mr. Ricci introduced himself and stated that he is a CPA and employs approximately ten people.

Councilman Campopiano introduced himself and stated that he is Councilman in Ward 4 and is a Cranston businessman.

Councilwoman Marino introduced herself and stated that she is Councilwoman City-Wide and is an attorney.

Director Moretti introduced himself and stated that he is Chief of Staff and was an Auditor for the City for several years and is a CPA by trade.

Mr. Igoe introduced himself and stated that he is Acting Finance Director and has been with the City for approximately 23 years.

Solicitor Millea introduced himself and stated that he has been Solicitor for the City since January 2021 and has a private practice in Cranston.

Mr. Dimaio introduced himself and stated that he has a Finance Degree in tax preparation and has been the Council Budget Analyst for 5½ years and has a practice in the City of Cranston.

Council Vice-President Ferri introduced himself and stated that he is Councilman City-Wide and he is also Chair of Public Works Committee, Finance Committee and the Audit Committee. He thanked everyone for being present this evening.

Chair stated that there have been several discussions over the last few months of what this Committee should accomplish and he asked Mr. Dimaio to speak.

Mr. Dimaio addressed Section 3.04 of the Charter and stated that the perspective goal of this Committee is to review the processes, speak with the Auditing Firm and consult and speak to the City Council to give them a better understanding of when the Audit is presented.

Chair indicated that there is a vacancy of an Attorney on this Committee. We have tried to reach out and find someone to fill the vacancy and have not gotten a lot of response. Maybe requirements should be re-evaluated to try to fill that vacancy. He asked that if any members of this Committee know of anyone that meets the requirements, contact him so this position can be filled.

Chair asked Mr. Igoe to speak.

Mr. Igoe stated that the Audit is the function of the Council to review the work that is done throughout the year. In the month of June, the Auditors come in and do preliminary tests and look at certain transactions and bank statements. The full Audit starts day after Columbus Day in October. The month of September, we get all our reconciliations done and the Audit is produced. The Auditors review the financial statements and at the same time they are working on the School Department's books. Once the Audit is completed, the Auditors give presentation to the City Council and, by Law, the City has to have the Audit completed by December 31st and presented to the Auditor General. The Auditors send us a single Audit, which includes Grants.

Chair asked Mr. Igoe how he thinks this Committee can assist the Council and the City in the process. Mr. Igoe stated that it is just another set of eyes to review the process.

Chair asked what financial information the Audit Committee is allowed to see on a monthly basis. Mr. Dimaio stated that you will find that the City's website is currently current with budgets, monthly information or monthly reports, bonding calculation and anything that the Administration felt the citizens of Cranston need to see. That is through May. The monthly reports are the same that are submitted to the Council and to Legal on a monthly basis. Chair asked if he can forward the monthly reports to the Audit Committee members when the Council receives them on a monthly basis. Solicitor stated, yes.

Chair asked if there is any particular part of the Audit itself in the future that the Committee should be concerned about or pay particular attention to. Mr. Igoe stated that he would guess that the Committee would look at the footnotes to the Audit.

Mr. Ricci stated that since everyone on the Board is new, for the next meeting, can they have someone explain what the financial statements mean so that when the Auditors come in in December, the Committee members can have a little bit of knowledge on the Audit? Chair stated the Mr. Igoe is stating that that is a lot of pages. Director Moretti stated that we can translate it.

Director Moretti stated to the Committee members that their role is to monitor the Administration. He does not think that the Administration should be advising. He also indicated that Fitch just rated the City about a month ago, Double A+, which we are very pleased about.

Chair asked Director Moretti what he feels the Audit Committee should be doing and update on status of FY 2022 Audit. Director Moretti stated that the books are not closed, but preliminarily, we will have approximately \$300,000 surplus. In terms of challenges, there was a one-time adjustment from ARPA Funds of \$7 million of a deficit that had to do with claims. Going forward, we should be in better shape form where we were before. We had a \$12 million structural deficit, which was caused year over year

from debt service contractual obligations, Mayor funded Schools incrementally to a tune of \$1 million, Waste Management fees, Rental Fire Hydrants. This is how the structural deficit caught up with us. There has been reductions in workforce in the City, 24 positions have been eliminated, either by early retirements with incentives and a few were terminated and also there was spending cuts.

Councilwoman Marino asked what would be helpful going forward for all of us. Last year, the Council was given a presentation without having a luxury of having the Audit itself. Hopefully, this time, we have the Audit before the presentation. If that cannot be done, there should be a follow-up presentation for the Council of any questions or concerns they have so they can be addressed.

Mr. Beaudoin asked if it would be possible to speak to the Auditors to have a presentation. Chair stated that he is planning to do that. He asked the Committee members if, we as a Committee, should have a meeting with Marcum before the Audit is presented to the City Council. Mr. Ricci questioned if that isn't part of this Committee's job. Chair stated that he would like to have them appear at the next meeting for a preliminary presentation.

Solicitor quoted Section 3.04.110 of the Code which states that there has to be a one face to face meeting with the Auditor. At a minimum, it calls for four meetings.

Chair asked if he can contact Marcum himself, as Chair of this Committee, with any questions and see if they can attend a meeting with this Committee. Director Moretti stated that the Auditors are hired and report to the City Council. This is a City Council function.

Mr. Igoe stated that the way it worked in the past, at the end of November, the Auditors made presentation to the Audit Committee and the Committee would ask questions. Then, the Audit Committee would make a presentation to the Finance Committee and make a recommendation to the Finance Committee on the Audit. The Finance Committee would pass that on to the full City Council and at that point, the Auditors would make a presentation to the City Council and that would be in December and the Audit would be completed by end of December. The Audit Committee should meet towards the end of November, after Thanksgiving and then the Audit Committee would make recommendation to the Finance Committee.

Chair suggested following schedule:

November 29th, the Audit Committee meets with Marcum

December 5th, a presentation is made to the Finance Committee

December 16th, City Council accepts the Audit

Mr. Ricci stated that he thinks that it is just merely a formality. The Audit Committee is probably not going to find anything different than what Marcum finds.

Mr. Dimaio stated that his concern is that there won't be enough time to explain to the City Council any issues so that they are informed and prepared.

Chair stated that he will put some thought into the timetable and asked everyone else to do the same and he will try to get a date to meet.

Mr. Ricci asked if another meeting can be scheduled before we meet with Marcum. Chair stated, sure.

It was unanimously agreed that the next meeting will be October 3rd at 5 pm to address the request made by Mr. Ricci regarding financial statements.

The meeting adjourned at 7:30 p.m.

Respectfully submitted,

/s/ Rosalba Zanni
Acting City Clerk