

## Grand Isle Select Board

### Minutes of the Special Select Board Meeting

Thursday May 6<sup>th</sup>, 2021 6:00PM

Before the meeting begins, Jeff Parizo – Chair, requests to address the previous Select Board meeting. Jeff says that the last meeting got out of hand between both townspeople and Select Board members. Jeff reads from the rules and procedures pertaining to public participation in meetings (verbiage at the bottom of the minutes).

**I. CALL TO ORDER:** Jeff Parizo calls the meeting to order at 6:00

**Board Members Present:** Jeff Parizo – Chair, AnnaMarie Demars – Vice-Chair, Diane Cota, Adam White and Eric Godin

**Community Members Present:** Glenda Leake, Rachael Griggs, Roland Dubuque, Barbara Patno, Bill Stone, Jean Prouty, Sue Lawrence, Mike Donoghue, Charles Hollan, Melissa Boutin, Mary Parizo, Karen Allen, Doug DiSabito, Buddy Meilleur, Lucille Campbell, Mitchell Richardson, Joe Longo, Bianca Adams, Samantha Ruggles, Blanche Roberge, Kristina Botala, David Capen, Esther Blow, Tanya Poutry, John Dumas, Stacey Dumas, Ron Smith – Auditor, Mike Inners, Ellen Paradee, Ron Bushway, Linda Effel and Randy Gover

**Select Board Members to Amend Agenda for Items not Listed:**

**II. GUESTS: RHR Smith – Town Auditor Ron Smith:** Jeff Parizo introduces Ron Smith, of RHR Smith, and explains how he would like to conduct the meeting. Jeff says he would like the Select Board members to ask questions of Mr. Smith first, followed by questions from the townspeople.

**Questions from the Board:**

Jeff begins by pointing out that this year's audit is very late in coming, and asks Mr. Smith if this is due to COVID. Mr. Smith confirms this, saying that the whole process was slowed by the pandemic. Mr. Smith and town Treasurer Melissa Boutin concur that the previous year's audit was available by December.

Jeff then asks if it would be possible to start the audit in September. Mr. Smith says yes, and that they typically begin doing pre-audit work around May.

Jeff asks Mr. Smith's opinion on whether 60 days is enough time after the end of the fiscal year to get the books closed out. Mr. Smith answers that it typically takes 90 days, citing a Governmental Accounting Standards Board.

Jeff then asks what kinds of audits are available and which kinds Mr. Smith has participated in professionally for municipalities. Mr. Smith replies that he has taken part

in compliance audits, forensic audits, best practices audits, yellow book audits and says that the town typically gets a financial statement audit annually. Mr. Smith states his firm services over 300 governments in the states of Maine and Vermont. He also says he would need more information about what the Select Board is looking for before he could give any advice.

Jeff asks if this year's audit was conducted in person or via Zoom. Mr. Smith explains that both methods were used.

Jeff asks what, in Mr. Smith's opinion, is a good amount for a municipality to keep in its general fund in case of emergencies. Mr. Smith says that per governmental standards, it's recommended to keep "30-60-90 days, or 8%, 16%, or 24%" of the operating budget on hand.

Jeff then turns the floor over to Adam White to ask his questions. Adam asks Mr. Smith to explain what the 'financial statement audit' that the town receives each year is. Mr. Smith explains that the town provides the auditing firm with information, and there are standard statements that are required by the Governmental Accounting Standards Board. This is broken down into four parts. The first is The Management, Discussion and Analysis, which the town Treasurer prepares. The second is the financial statements themselves (balance sheet, statement of revenue, expenditures and changes in fund balances). The third is footnotes to the financial statements. The fourth is Required Supplementary Information. Mr. Smith says these are all standard forms that are issued by the Governmental Accounting Standards Board.

Adam asks if the auditing firm requests the documents, if they are in control of the audit. Mr. Smith replies that they do request documents to support the financial statements.

Adam then asks if there are any kinds of audits between a financial statements audit and a full forensic audit. Mr. Smith says that a best practices audit would fall in that category, and goes on to point out that 'forensic audit' is a very broad term, and that type of audit would be used if we were looking for the math to explain a problem with the accounting within the town.

Adam asks if a forensic audit would be conducted if there was suspicion of fraud, or a budget gap. Mr. Smith says that would be an option, to move right into the math. Mr. Smith said he would need more information, as forensic audits aren't cheap.

Adam then asks if Mr. Smith typically conducts financial statements audit on other municipalities in Vermont. Mr. Smith replies that the state of Vermont is one of the only places that doesn't require an annual independent audit, unless your town has a charter, or a town policy indicating an audit must be done. Adam defers further questions back to the chair.

Jeff recognizes Diane Cota, and asks her if she has any questions. Diane asks Mr. Smith if someone is accused of breaking a state statute by not providing a report, is that grounds for a forensic audit. Mr. Smith indicates he would need more information before he could provide any advice. Diane reads the two statutes noted in the Call for Select Board Action, indicating the Treasurer shall provide quarterly reports to the board, and that the Treasurer shall not make investments without Board approval. Mr. Smith says that forensic audit is a strong term, and that just because the board didn't

receive these reports, a full-blown forensic audit may not necessary. He points out that his firm receives reports from the town every six months. Mr. Smith asks if the Board has asked for those reports in the last two years. Diane answers no. Mr. Smith asks if the omission was willful, and if anything was being hid, and said that the auditors 'didn't see any of that'. Diane defers back to the Chair.

Jeff recognizes Eric Godin and asks him to proceed with his questions. Eric points out that it seems like there is no set dollar amount that forensic audit can cost. Mr. Smith confirms this is the case, and asks what concerns the Board was trying to address. He asks if there are concerns about reports being willfully inaccurate, as this would be a flag for a forensic audit. Mr. Smith also points out that these audits are usually targeted at an individual, and points out that the body of government is going to be responsible for said audit, as well as the reputation of the municipality. Eric says that the town had received the call for action and that there were certainly some people within the town who had concerns, and that he was trying to get all the facts straight. Mr. Smith says he too would want to get the facts straight, and again asks what specifically the Board was looking to find. Mr. Smith said that while the Board was not provided with the quarterly reports, his firm has provided an audit report annually, and hasn't seen anything to indicate problems with the math. Eric says that as elected officials, it's the Board's responsibility to address the concerns of the town, and he was trying to determine costs and consequences of engaging in an audit. Mr. Smith again asks for specifics as to what the Board is looking for, and says that before you can have a conversation about a forensic audit, you have to identify a problem. Mr. Smith asks if the quarterly reports were provided, would that satisfy the Board's questions. Eric says that the Board has addressed the issue of the reports, with a plan to be compliant moving forward, but there are still residents of the town that have concerns, which was the reason for this meeting. Mr. Smith says that if there are concerns with the math indicated in the current audits, they should be brought up with his firm to have a conversation about a forensic audit before the town spends any money. Mr. Smith says he thinks it would be reckless to spend thousands of dollars without a starting point, as it could simply end up confirming the numbers already provided in the annual audit. Mr. Smith points out that we have 2 audit reports, and offers to provide his firms trial balances, in hopes it would satisfy the concerns of some of the townspeople. Eric defers back to Chair Jeff Parizo. Jeff recognizes AnnaMarie Demars. AnnaMarie asks Mr. Smith if he believes there should be a special audit done when a new Town Clerk is elected to office. Mr. Smith agrees and says that typically happens, and is done to protect both the outgoing and incoming Town Clerk. AnnaMarie points out that there was no audit done when the current Town Clerk/Treasurer took office, and asks Mr. Smith if that was a mistake. Mr. Smith says he won't opine on that, but says that he hasn't seen anything to indicate there was an issue with the transition, but says he would recommend making that type of audit a practice moving forward. AnnaMarie defers back to the Chair. Jeff Parizo points out that there has been a lot of information run out and asks what other types of audits, other than forensic could be available. Mr. Smith says that you need to have an area of concern to target, and then expand your audit accordingly. Mr. Smith points out that if there is reason to believe there has been manipulation of the

books, then a deeper conversation needs to happen with him as the town's independent auditor.

Jeff then asks if Mr. Smith's firm is hired by the legislative body to audit the town treasurer. Mr. Smith says the auditor is hired by the legislative body to audit the town of Grand Isle. Jeff follows up by asking if Mr. Smith works for the Board, to which Mr. Smith replies he works for the public and the board is simply responsible for hiring him.

**Questions from the Public:**

Bianca Adams asks how frequently it occurs that a town has an annual audit, then townspeople ask for a forensic audit, and irregularities are found. Mr. Smith says that if other issues are found, or if a governmental agency has reason to question those figures that it can lead to a whole different level of questions. Mr. Smith then says that he is uncomfortable with the word 'forensic' being used, as he feels it implies there is a concern about the integrity of management. Bianca restates her question, asking how often that happens, and Mr. Smith replies "not very". Mr. Smith then points out that we are dealing with the reputation of both people and the municipality, and says he would want to see more facts before engaging in a forensic audit. Bianca states that her concern is monies being moved between accounts without Select Board permission. Mr. Smith says that this is an example of something that could be targeted for more scrutiny if there are questions.

Ellen Paradee asks why this year's audit was late, and Mr. Smith replies that it was due to COVID. Ellen then asks what steps are being taken to address the risk presented by the lack of a segregation of duties. Mr. Smith replies that he thinks the town has good firewalls and policies and procedures in place. Ellen disagrees and Mr. Smith says that he has a difference of opinion with her on the matter. Mr. Smith then offers to share the last few management letters and talking points if that would be helpful.

Mark Cobb brings up his time on the board and says that it was nearly impossible to get timely reports, and when they did get them, that they couldn't get questions answered. Mark agrees with Ellen Paradee's earlier statement that there was no separation of duties between the Town Clerk and Town Treasurer, and that the Board wasn't getting the information it needed. Mark pointed to the \$400,000 that had been allocated for the new garage building, and said he had not heard an explanation that made sense to him. Mark also brought up an incident during his time on the Board where he had requested bills relating to the repair of one of the town's tractors. He said that despite requesting the bills, he never got to see them, stating the Chair at the time told him the Town Clerk would not produce them. Mark also states that the annual audit was never put into Select Board members' mailboxes, and all of these add up to a series of flags. Mark says that the current Board wasn't asking questions he had heard asked at other times, and that a previous town clerk had expressed concern that there were no checks and balances. Mark says that he feels the Town Clerk becomes defensive when asked questions, and says the town office isn't a friendly place. He says he isn't trying to sling stones at the Town Clerk, he just wishes she would be more forthcoming. Mark says he sees money spent on an audit as money well spent, seeing as how the town had spent \$3 million on buildings in the last 5 years. Mr. Smith says that he can provide bridging

documents to back up the math in the town audit reports to try and help clear up the questions surrounding any particular issue with the town's finances, and if there are further questions, then larger audits can be addressed.

Randy Gover echoes Mark Cobbs concerns about the money for the town garage. Mr. Smith says that he can generate bridging documents to support the math for the town garage, and referenced a call he had in February addressing this issue with Jeff Parizo. Mr. Smith says that the garage issue, and the issues raised with CD's are areas that can be targeted, and if he can't make the math add up, that would be a problem.

Mitchel Richardson says his concern is with who is balancing receipts, making sure they are where they should be. Mr. Smith indicates that those are the responsibilities of the town Treasurer, and that his firm checks the Treasurer. Mr. Smith says he respects that townspeople expressed their concerns and signed the call to action requesting a forensic audit, but asks "A forensic audit of what?". Mr. Smith recommends getting everyone together, including himself to have a discussion to collect facts. Mitchel says that per previous meeting minutes, actions to get reports had been taken, but are no longer enforced as board members change. Mr. Smith says that he's not sure it's wise to focus on the past, as fixing the future is much easier, and that specific issues need to be addressed. Mr. Smith says that his firm gets all the data, but understands that if the Board isn't receiving reports that show accuracy, it could be concerning. Mr. Smith asks if he can have a copy of the request for action the Select Board received.

Charles Hollan says he feels the Board needs to pin down and explain specific issues, as much of the conversation has been broadly painted allegations of mismanagement. Mr. Smith asks the town Treasurer why the reports weren't provided, and the Treasurer answered that the reports in question had not been requested, and she did not feel there was a reason to provide them. Charles summarizes by saying that the Board needs to point to specific areas of concern before Mr. Smith can provide any kind of recommendation as to what types of audit would be appropriate.

Diane Cota reminds everyone that Board members Eric and Adam met with the town Clerk, who agreed to comply with the documents requests they made. Diane goes on to say the matter of the garage money was explained very clearly in a previous meeting. Diane then says that nobody should expect the Treasurer to have every figure for the town in her head at a moments notice, and she needed to be given time to produce requested figures.

Mitchel Richardson asks Mr. Smith how he feels about the Clerk's earlier response saying she didn't feel there was a reason to provide them. Mr. Smith says there are statutes that stipulate those documents be produced. After more limited discussion about the targeting of an audit, Mr. Smith is excused from the meeting.

Jeff Parizo recognizes Eric Godin, who says he is interested in making sure the town stays compliant with state statutes and restoring the confidence of the townspeople in the Select Boards oversight of the town. Eric says that there was a lot of information that needs to be gathered to move forward.

Adam White says that the Board has a document in front of it from residents of the town, and based on the information collected from Mr. Smith, he felt the first step

should be an in-person meeting with the auditor to discuss the concerns of the town, and decide which kind of audit would be best suited to the town's situation.

Diane Cota echoes that a lot of information had been presented, and hoped that people had been paying attention. Diane says that there had been a lot of speculation without facts, and that the board had to figure out what was going on. Diane says that the Clerk has agreed to provide the requested reports, and that she was okay with the Board requesting more information as needed.

AnnaMarie concurs with Adam White, saying a lot of information had been received and we needed to respect the request of those residents who requested action. AnnaMarie said that we also need to be careful with how we move forward.

Jeff Parizo says we should move the call to action to the next meeting, while acknowledging that the Board would need to take action at some point. Adam White says that we need to have the in-person meeting to determine what kind of action or audit the Board should take, and that would be the first step to the Board taking definitive action.

Diane Cota says residents expressed a lot of concerns, and that the auditor needed to know specifics before he could make a recommendation, otherwise this issue would just continue to crop up. Diane says that the people who are requesting an audit need to speak up with their specific concerns, and that the Board should look at the documents that had already requested from the Town Clerk as a first step. Jeff then opens the floor for public comment.

### **III. GUEST OPEN COMMENT:**

Mike Inners says that if there aren't any specific allegations to address, that this needs to stop. Mike says that there are a constant set of insinuations with no facts. He says that if reports haven't been received that the Select Board should have been requesting them and the town Clerk should have been providing them. Mike says that he feels there are likely many areas where the town isn't following state statute to the letter, and recommended having VLCT or the town attorney do a review. Mike expresses his concerns about how the town budget is warned, and how the financing of the town Garage has been handled, and suggests the garage as a good starting point for asking questions of the auditor. Mike says that forensic audits are aimed to catch fraud and embezzlement, and asks if that's what people believe is going on, or if there are management issues that need to be addressed.

Karen Allen agrees that information needs to be gathered. Karen says residents do have concerns about how money has been moved, and with the town Garage. Karen suggests the Select Board hone in on the issues and direct the auditor to take a deeper look into those concerns. Karen says that if the Board starts slow and then digs deeper if more issues come up, it would be more financially responsible. Karen says she feels some money spent looking into these issues would be well spent, due to the piece of mind it provides, and says that if someone was looking into her work, she would welcome the scrutiny to allay any suspicions.

Bianca Adams agrees with Karen Allen, and asks whether the Melissa Boutin, as the school treasurer provides quarterly reports to the school Board. Melissa answers that the school Boards reports are generated in house, and that she is only responsible for processing payroll and accounts payable.

Bill Stone asks Jeff Parizo to provide a vehicle for the concerned residents to submit their concerns and questions to be asked of the auditor, and consolidate the concerns, submit it to the auditor and see what Mr. Smith recommends. Jeff says anyone can contact him, preferably via email with any of their questions. Adam White asks that the Board review them so that any pertinent information or meeting minutes can be added to give a clearer picture to the auditor. Bill says he would like to see all the board members included in the communications regarding questions to the auditor, to which Jeff agrees.

Ellen Paradee asks if it would be prudent to have someone independent from an accounting firm come in to answer some questions. Eric Godin answers that he feels that is an option, but the first step needs to be gathering information. Bill Stone says Mr. Smith should be spoken to first, or the auditor may feel like he isn't trusted. Mike Inners concurs, saying if the Board doesn't trust the auditor, they should get a different one. Diane Cota also agrees with Bill and Mike, and says she disagrees with the idea of hiring a different auditor.

Mitchel Richardson says he agrees with Ellen Paradee, and that the auditor isn't the problem, but the management practices since 2012. Mitchel says bringing in a fresh set of eyes could be beneficial. Adam White states that Mr. Smith had said if there were managerial issues, the Board should contact VLCT or the town attorney for assistance to see where the weaknesses were. Mitchel asks why the ordinance put in place a few years before wasn't being followed. Eric Godin says that at this point looking backward isn't helpful. Eric acknowledges that he is still fresh on the board, but says that moving forward the Board was going to work to make the necessary changes and codify them so they stay consistent as Board members change. Eric acknowledges that there have been shortfalls in the Board's oversight of the town, and felt all current Board members were committed to change that and restore confidence. Eric points out the division this issue has caused in the town, citing the previous Select Board meeting, and says that the Board has to look forward to restore the confidence of the taxpayers.

Diane Cota says that a timeline needed to be established to get the information to the Select Board.

Mitchel agrees with Eric that it was unhelpful to dwell on the past, but to learn from it, and raises his concern about the consistency of compliance as board members change. Eric responds that Mitchel is not alone in his concern and that the Select Board needs to act to stay compliant with statutes and find a way to make sure that consistency is maintained. Eric says that he feels the level of emotion invested on both sides of the issue may be detracting from the facts. After further discussion of past events, Eric asks Mitchel to reach out to him to discuss the concerns further. Mitchel agrees.

Bianca Adams asks why there are defensive reactions when these issues are brought up.

Jeff asks to go off topic and asks when the Select Board can meet in person again. Eric suggests waiting for further guidance from the Governor's office. There is discussion about meeting in person while allowing town members to attend via Zoom. Jeff Parizo agrees to wait for further guidance before discussing in person meetings further.

#### **IV. OLD BUSINESS**

**Request for Select Board Action:** Jeff Parizo says that after all the discussion, the issue needs to be moved to the next meeting.

#### **V. ADJOURNMENT**

***AnnaMarie Demars moves to adjourn the special meeting of the Select Board at 7:42pm. Adam White seconds. Adam thanks the community for a civil meeting. Jeff calls the vote, which passes unanimously.***

#### **F. PUBLIC PARTICIPATION FOR TOWN OF GRAND ISLE SELECBBOARD...**

All Selectboard meetings are meetings in the public, not of the public. Selectboard meetings are the only time we have to discuss and decide on Town Matters and we want to be as open and informal as possible. Members of the public shall be afforded reasonable opportunity to express opinions about matters considered by the Board, so long as order is maintained according to these rules.

In an effort to conduct orderly and efficient meetings, we kindly request your cooperation and compliance with the following guidelines:

1. Please be respectful of each other.
2. Please turn off cell phones and pagers or put them on vibrate. 3. Please do not interrupt when others are speaking.
4. At the conclusion of discussion of each agenda item, but before any action is taken by the public body at each meeting, there may be ten minutes afforded for open public comment. By majority vote, the body may increase the time for open public comment and its place on the agenda.
5. Comment by the public or members of the body must be addressed to the Chair or to the body as a whole and not to any individual member of the body or public.
6. Members of the public must be acknowledged by the chair before speaking. Please raise your hand to be recognized by the Chair. Once recognized please state your name.
7. Please keep your responses brief and directed to the Board, not to other members of the public and abide by any time limits that may have been set by the Chair.
8. Please do not repeat the points made by others, except to briefly say whether you agree or disagree with others views.
9. If a member of the public has already spoken on a topic, he or she may not be recognized again until others have first been given the opportunity to comment.
10. Order and decorum shall be observed by all persons present at the meeting. Neither members of the body, nor the members of the public, shall delay or interrupt the proceedings or the peace of the meeting or interrupt or disturb any member while speaking. Members of the body and members of the public are prohibited from making personal, impertinent, threatening, or profane remarks.
11. Please go outside for side conversations. It is difficult to hear speaker remarks when there are other conversations occurring. 12. Members of the body and members of the public shall obey the orders of the Chair or other presiding member. 13. The Chair should adhere to the following process to restore order and decorum of a meeting a. Call the meeting to order and remind the members of the applicable rules of procedure.



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