

**Pennsylvania State Senate Act 47**

**Hearing Testimony**

**December 8, 2011**

**Eileen Cipriani**

**West Wyoming Borough**

**Council Chairperson**

## **Re: Pennsylvania State Senate Act 47 Hearing Testimony**

**Date: December 8, 2011**

**From: Eileen Cipriani, West Wyoming Borough Council Chairperson**

### **Background**

Two year ago, on October 13, 2009, West Wyoming Borough was on the brink of bankruptcy and contemplating an Act 47 distressed municipality status. The borough was over \$900,000 in debt with mounting unpaid bills and vendors threatening to terminate services. The borough was brought to this position by nearly three decades of mismanagement and misconduct by the borough administrator, and the absence of adequate oversight.

With this high level of debt and an annual budget of less than one million dollars the council discussed Act 47. Despite our high debt to budget ratio, the council felt confident with the guidance of the Pennsylvania Economy League and the cooperation off a local bank that had agreed to restructure our debt that it should not apply for Act 47 status.

Now, only two years later through the hard work of the borough council members, the borough is fiscally stable, this was done without any increase in taxes. The borough entered the State's Early Intervention Program on the advice of State Representative Phyllis Mundy and was guided through the program by the Pennsylvania Economy League. Council members reviewed every facet of our government and made changes to establish best management practices for the borough. The borough has remained within budget and will finish the fiscal year 2011 in the black the second year in a row.

### **Timeline and Resolution**

On October 13, 2009, it was discovered by West Wyoming Borough council that the Borough Manager, had paid himself a double salary unbeknownst to the council for the years 2007 and 2008 totaling over \$150,000. He had also paid additional unauthorized salaries to two police officers, the borough former Chief of Police and the current Borough Chief of Police totaling \$52,571. As council members began to review the borough finances, it became apparent that the misconduct and mismanagement of funds had gone on for at least a decade and probably longer. Almost every fund and every facet of the borough finances was involved. Council members for more than a decade had placed their complete trust in the borough manager and were deceived and misinformed about the borough's actual financial condition. The borough was now over \$900,000 in debt and its bank accounts were nearly empty.

The immediate problem was that the borough had \$168,000 in unpaid bills and \$32 in its General Fund. Council member Eileen Cipriani contacted State Representative Phyllis Mundy to

determine what help was available to the borough. Mundy directed the borough to the Pennsylvania Economy League and assisted the borough in applying for a grant to enter the state's Early Intervention Program.

Council members contacted the Luzerne County District Attorney's office and the PA State Police Troop P, Wyoming, to investigate the activities of the three individuals receiving unauthorized salary payments. The borough manager died December 2009. In January, Corporal Jerry Williams from the PA State Police met with council members and they detailed the unauthorized salaries of the police officers. Council provided detailed records of canceled checks, payroll documents, time cards, and time and attendance sheets. Corporal Williams agreed to investigate the allegations on January 13, 2010. The investigation is still ongoing.

As council members began to review the borough finances, the depth of the misconduct and mismanagement of funds became clear. Almost every fund and every facet of the borough government was involved. Nearly \$200,000 in sewer funds had gone uncollected, pension accounts were under funded, refuse account money was missing, and salary overpayments exceeded \$200,000. The borough was left with no choice but to apply for a loan of \$565,000 in unfunded debt.

The unfunded debt loan allowed the borough to pay its unpaid bills and restructure its debt into manageable payments. The borough entered the Early Intervention Program in January 2010 looking to achieve four basic objectives: expenditure reduction; revenue enhancement; adoption of best management practices to achieve operating efficiencies; and, pursuit of intergovernmental cost sharing strategies.

The most significant achievement of the West Wyoming Borough Council was to establish best management practices with the help of the PA Economy League. Given that almost every facet of the borough operation was affected, council decided to review all borough policies and procedures, in fact the council needed to essentially reinvent the borough to establish fiscal stability.

To achieve expenditure reduction, the borough reviewed and bid out borough insurances, and pension services. The new insurance plans for general liability, workman's comp and health insurance resulted in saving the borough \$34,000. In addition, the borough council instituted a purchase order system and the finance committee reviewed all expenditures so the borough would stay within its budget limits.

The council had terminated the borough manager and eliminated vacant full time jobs in both the police and the street departments for an annual savings of over \$150,000.

The borough's sewer account was bankrupt, with \$185,000 in uncollected sewer fees. The council contracted with the Wyoming Valley Sanitary Authority to collect the borough sewer fees. Two years later the sewer account has a balance of \$250,000 and the number of delinquent accounts has been significantly reduced. Through outsourcing, the council dramatically improved the borough sewer collection rate making the account fiscally stable. Improved oversight of the refuse fund also improved the collection rate.

To strengthen the Borough's financial system, the council converted the financial software to Quickbooks and changed from the previous cash basis system to a modified accrual basis. The previous manager was the Secretary/ Treasurer, so council passed an ordinance establishing two separate positions. Establishing separate positions for a Borough Secretary and a Treasurer gave the council more oversight into the borough finances. Council also arranged for online access to view the borough bank accounts to add to the financial oversight. The council uses the borough's website, [www.westwyoming.org](http://www.westwyoming.org), to post meeting minutes, budgets, and treasurer reports. An accounting firm brought in by the Pennsylvania Economy League began adapting our accounting system to follow DCED guidelines and preparing our previous accounting system for audit by our newly hired auditor. As the council re-evaluated the borough government, it changed not only the auditor, but also the Payroll Company, insurance carriers, pension administrator, vehicle maintenance vendor and established new banking relationships. These changes helped council established best management practices and resulted in considerable cost savings.

Through better management, council was able to pay back the unpaid pension funds for 2008, 2009 and pay the 2010 MMO. The borough's pension had been listed as minimally distressed earlier in 2010. Today all payments are current.

As council members began gathering evidence of misconduct and mismanagement, we were able to use this information to recover the borough manager's \$65,000 insurance bond. This money allowed the borough to pay for legal assistance to begin the process of recovering funds. The council hired a forensic auditor to document fiscal misconduct to allow the council to pursue civil actions to recover misappropriated funds. Council hired an independent attorney in August 2010 for these civil actions.

It is important to note that although the PEL had unanimous cooperation and full commitment of the council, the mayor and police department did not participate in the evaluation by the PEL. As previously mentioned, council had cut the police department budget and reduced the full-time staff. At this time, the department has not developed best management practices and remains resistant to change.

The changes instituted by the council led to a dramatic recovery. Evidence of this is clearly shown through the borough treasurer reports. In November 2009, the total value of the borough general and sewer accounts was \$49,386. In November 2011, those same accounts totaled \$496,891 this was accomplished by instituting best management practices and increased fiscal oversight, all without an increase in taxes.

The borough has recently entered into a four-municipality agreement to share a tub grinder to process our yard waste. The grinder was purchased via a grant. West Wyoming is currently negotiating with an adjacent municipality to process their yardwaste. The borough is also looking at other shared services involving the street department focusing on sharing equipment. In addition, the Borough has recently instituted a recycling program which is self funded and has the potential to reduce our refuse

collection costs due to the decrease in refuse tonnage collected because previously trashed items are now recycled.

In less than two years, through the efforts of the borough council and with the guidance of the Pennsylvania Economy League, the borough is now financially stable. The borough has remained in budget and is projected to finish the year in the black for the second consecutive year. The 2011 budget was balanced and taxes and fees remained unchanged. The 2012 budget was placed on the table for review this week and there will be no tax or fee increase for 2012. In March 2011, West Wyoming Borough won the Governor's Award for Local Government Excellence.

There are still outstanding issues that can put the borough's financial health in jeopardy though. The PA State Police requested that the borough place on hold any civil action until the police investigation, begun in January 2010, is completed, which the borough initially agreed to do. In a few months, the investigation will be entering its third year, despite seemingly clear evidence that the current borough Police Chief and former Police Chief had received unauthorized pays. The current chief is still collecting his taxpayer-funded paycheck and the former chief is collecting a taxpayer-funded pension, which may have been improperly inflated do to the unauthorized salaries he received in the three years prior to his retirement. The council is concerned that the borough taxpayers will be forced to repay the improper pension funds when they are quantified in our next pension audit.

The borough recently received word that after the Auditor General's office audited of our Liquid Fuels account, the former borough manager's mismanagement has resulted a finding that the borough needs to repay its Liquid Fuels account \$69,000. Council is currently working with PennDOT to resolve this matter. This audit coupled with the fact that the borough anticipates negative findings in our pension audit, has caused the council to be concerned that our financial recovery will be derailed, if the taxpayers are forced to pay back the money misappropriated by the former manager and received by the two police officers. Due to the protracted State Police investigation, the council has decided to move forward with civil actions to preserve our fledgling recovery.

Sincerely,

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