

MINUTES  
NORTHEAST OHIO REGIONAL SEWER DISTRICT  
BOARD OF TRUSTEES MEETING  
MAY 1, 2008

Meeting of the Board of Trustees of the Northeast Ohio Regional Sewer District was called to order at 12:34 p.m. by Mr. Brown.

I. Roll Call

PRESENT: D. Brown  
G. Starr  
T. Longo  
R. Sulik  
S. Kelly  
D. DePiero  
A. Liberatore

The Secretary informed the President a quorum was in attendance.

II. Approval of Minutes

**MOTION** – Mr. Liberatore moved and Ms. Kelly seconded that the Minutes of April 17, 2008, be approved.

III. Public Session (no one registered to speak at the public session)

IV. Executive Director's Report

There was no Executive Director's report; however, Executive Director Ciaccia mentioned two items to the Board.

Bylaws Revisions

First, the Executive Director referred the Board to a packet containing the existing District Bylaws and the proposed revisions to those Bylaws. He pointed out that the change order policy is one of the items being revised in the proposed Bylaws. He requested that the Board members begin reviewing the proposed revisions and provide comments by May 12<sup>th</sup> in anticipation of the Special Board Meeting scheduled on May 15, 2008. He stated that the goal is to get the revised Bylaws passed at one of the June Board meetings.

Executive Session Item

Second, the Executive Director mentioned that an executive session was planned to discuss two scheduled items, and he requested to add an additional item regarding the MCT-3 litigation.

Mr. Brown emphasized to the Board the importance of reviewing the content of the proposed Bylaw revisions, and he recognized the effort of the Governance Committee, chaired by Mayor Longo, that went into drafting such revisions. He asked the Board members to be prepared to ask questions and make comments at the May 15<sup>th</sup> meeting so that the Board can finalize the recommended revisions.

The Executive Director mentioned that he would be attending a NACWA meeting in Washington, D.C., along with Mayor Starr and Ms. Kelly, to meet with the District's delegation and talk about District obligations and community concerns. Mr. Brown commended staff and Board members for engaging with Congressional delegates to communicate the District's issues related to funding, regulatory compliance and the impact on the communities served by the District.

V. Consent Agenda

Mr. Brown asked to move to the Consent Agenda for items listed below:

Resolution No. 116-08                      Two Year Requirement Contract for the Removal, Transportation, and Disposal of 2,500 Tons of Skimmings Accumulated at the District Treatment Plants. Cost: \$95,000.

Resolution No. 117-08                      Two Year Requirement Contract for Maintenance and Repair Services for the Heating, Ventilation, Air Conditioning, and Refrigeration Systems at All District Locations. Cost: \$250,000.

Resolution No. 118-08                      One Year Requirement Contract for the Purchase of 120,000 Pounds of Liquid Polymer for use at the Southerly Wastewater Treatment Plant. Cost: \$250,000.

No discussion was held on the Consent Agenda.

**MOTION** – Mayor DePiero moved and Mayor Starr seconded to adopt **Resolution Nos. 116-08 through 118-08**. Without objection, the motion carried unanimously.

VI. Action Items

Executive Director Ciaccia introduced the Action Items listed below:

Authorization of Contract Modification

- |                       |  |
|-----------------------|--|
| Resolution No. 119-08 | Laboratory Quality Gas for Analytical Services.<br>Cost: An additional expenditure of \$7,200.00.  |
| Resolution No. 120-08 | NEORSO Contract No. 3332, Nerone and Sons, Inc., Southerly CSO Early Action Contract SEA-2C, Time Extension.   |
| Resolution No. 121-08 | Contract No. 3318 with Ohio Bulk Transfer Company to continue the transportation of skimmings through the complete two year contract duration. Cost: An additional expenditure of \$12,908.07. |

Authorization to Ratify Expenditure

- |                       |  |
|-----------------------|--|
| Resolution No. 122-08 | Emergency Sewer Repairs at East 17 <sup>th</sup> Street and Superior to Kenmore Construction Company. Cost: \$28,319.32. |
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No discussion was held on the Action Items.

**MOTION** – Mayor Longo moved and Mr. Liberatore seconded to adopt **Resolution Nos. 119-08 through 122-08**. Without objection, the motion carried unanimously.

VII. Information Items

1. Internal Audit 2008 1<sup>st</sup> Quarter Update.

The Executive Director introduced John Wasko, Manager of Internal Audit, to provide the Board with the first quarter Internal Audit Update report. Mr. Wasko advised the Board members that they received three items in their Board packets including 1) a listing of the management responses received in the first quarter of 2008 with a summary of actions to be performed; 2) a listing of audits in progress with the updated 2008 audit plan; and, 3) executive summaries of audit areas with details and recommendations.

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Mr. Wasko reported that the hiring practices audit was deferred until the Director of Human Resources position was filled. He also indicated that when a Board Audit Committee is created in accordance with the revised Bylaws, future reports would be presented to that committee.

Mayor Starr asked whether all or some of the construction contracts were being monitored. Mr. Wasko reported that a sampling of the construction contracts were audited based upon performance issues and in conjunction with MBE/WBE subcontractor reviews.

Mayor Starr inquired if Mr. Wasko will be able to use outside contractors to assist with audits. Mr. Wasko responded that he currently has engaged Jefferson Wells to assist with the Easter aeration piping contract and intends to seek authorization to issue a request for proposals to for a range of auditing services, including construction contract audits.

Mr. Bucci added that, as a follow up to Mayor Starr's interest in internal auditors with fraud certification, a member of Mr. Wasko's staff, Brian Flanagan, became a certified financial fraud examiner. Mayor Starr inquired about recouping payments made under contracts completed over the past six to eight years that were documented by the Calfee Halter report as contract overruns. Executive Director Ciaccia replied that the District would try to recoup whatever it can legally recoup. He indicated that staff is looking at past contracts, and it is the basis of some of the current lawsuits. Mayor Starr stated that there were firms that specialized in the area of fraud and recouping money on a contingency basis if the payments were improper. He asked that the District consider this course of action. Mr. Wasko responded that the District would consider Mayor Starr's suggestion, as well as, continue to focus auditing activities to prevent problems that arose from past practices.

Mr. Brown added that the Jefferson Wells report related to the payment of reasonable labor and material costs for a particular contract; however, he believes the District has tightened up the process for change orders and the use of allowances and is now creating a culture and environment where it is not business as usual. The District is now taking a hard line with contractors in making claims under change orders for items that may have historically been paid. This is new position is evidenced by the number of litigation matters in which the District is currently engaged.

Executive Director Ciaccia agreed that the District is going through culture pains right now with the contracting community. However, with respect to price escalation claims, the contracting community knows that if a contract is signed with a certain price for an item that will be the price for the item throughout the term of the contract.

Mayor Longo asked how the internal auditors were interfacing with the engineering group that oversees the contracts in terms of putting data into the financial system. Mr. Wasko responded that Finance Director Jennifer Demmerle and he are working with IT and the engineers to improve invoicing and payment processes.

VIII. Open Session (no items on agenda)

IX. Public Session (no requests from the public)

X. Executive Session

Mr. Brown indicated there were two scheduled matters and the additional item of the MCT-3 litigation for discussion at Executive Session.

**MOTION** – Mr. Liberatore moved and Mayor DePiero seconded the motion to go into Executive Session. Without objection, the motion carried unanimously.

Board met in Executive Session from 12:59 p.m. until 1:34 p.m.

XI. Approval of Items From Executive Session

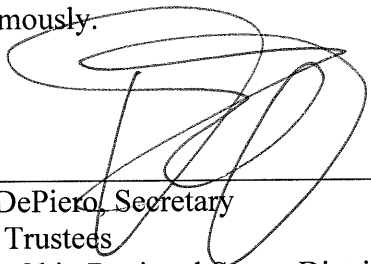
Resolution No. 123-08

Engaging Benesch Friedlander Coplan & Arnoff LLP as special counsel in the matter of *KM&M v. Northeast Ohio Regional Sewer District*.

**MOTION** – Mr. Sulik moved and Ms. Kelly seconded the motion to add and adopt **Resolution No. 123-08**. Without objection, the motion carried unanimously.

XII. Adjournment

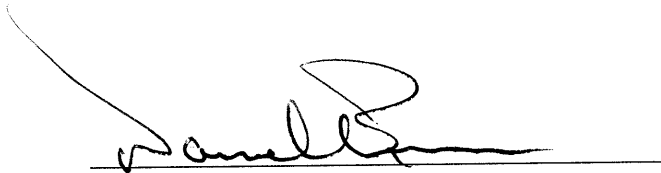
**MOTION** – Mr. Brown stated business having been concluded, he would entertain a motion to adjourn. Mr. Sulik moved and Ms. Kelly seconded the motion to adjourn at 1:36 p.m. Without objection, the motion carried unanimously.



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Dean E. DePiero, Secretary  
Board of Trustees  
Northeast Ohio Regional Sewer District

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A handwritten signature in black ink, appearing to read "Darnell Brown", is written over a horizontal line. The signature is fluid and cursive.

Darnell Brown, President  
Board of Trustees  
Northeast Ohio Regional Sewer District