

## MINUTES OF SPECIAL MEETING OF WAREHAM FINANCE COMMITTEE

Date of Meeting: May 5, 2011

Note: Text taken from video recording of meeting by William R.C. White, Clerk, Finance Committee

### **I. CALL MEETING TO ORDER**

The meeting was called to order at 5:30 P.M.

### **II. ROLL CALL**

Members Present: Donna Bronk, Chairman  
William R.C. White, Clerk  
David Trudell  
Bonnie Cottuli  
Frank Heath  
Dom Cammarano (Arrived at 5:35 P.M.)

Also Present: Walter Cruz, BOS Chairman  
Cara Winslow, BOS  
Ellen Begley, BOS  
Michael Schneider, BOS  
James Powers, Principal, Powers & Sullivan Auditors  
Rich Bowen, Town Counsel

### **III. DISCUSSION RE: AUDIT**

Introductions were made introducing Mr. Bowen & Mr. Powers.

It was stated the purpose of the meeting was to hear a progress report of the auditing firm, Powers & Sullivan. The FY2010 audit and draft report was presented previously and this meeting is to learn about the follow-up and subsequent progress in resolving some of the outstanding issues for FY2010.

Mr. Powers gave an opening statement. He explained a monthly cash reconciliation, commencing July 1, 2010 through June 30, 2011 is underway. This was guided by Powers & Sullivan and detailed recommendations will be made as the audit goes along. Bills are being paid, payroll is being paid, & normal operations continue.

Mr. Powers stated some issues remain to be resolved from FY2010. He stated books can be closed prior to setting the tax rate. The \$919,000 issue remains and further auditing is necessary to resolve.

A question and answer session commenced. All questions were answered by Mr. Powers, unless otherwise specified.

Q: Are we doing what we can do to move forward?

A: Yes.

Q: Is the system part of the problem?

A: The system was updated. Eight months were reconciled in 50 hours. There is a lack of staff to move forward on a long-term basis. Some of the analytics are not being done. Some additional training is underway using the new Chart of Accounts. People need to get used to the new account numbers, etc.

Q: Have the links between accounts been corrected?

A: Only one faulty link was discovered. Evidence shows that previous issues have been corrected. Further auditing may reveal new issues. Now that departments can review their own data, they will be able to spot issues.

Q: How does the \$919,000 shortfall affect Free Cash?

A: Shortfalls in revenue will affect Free Cash at the end of the year. No Free Cash was used for FY2012 and that is a good thing. Further auditing work will help to resolve the \$919,000 issue.

Q: Do you expect we will have a positive Free Cash balance in FY2011?

A: The Town still has to use Free Cash to remove previous year's deficits. There still may be a Free Cash positive balance.

Q: What about the issues raised in the MA Department of Revenue letter?

A: Many communities are in similar situations. The MA DOR will watch closely to accelerate the audit to close the books. There is no expectation of any action from the MA DOR.

Q: Is the Town suffering from a loss of cash?

A: More than likely it is an accounting error. Treasurer's books reconcile to the bank statements. No more funds are unaccounted for and no bills remain unpaid.

Q: How much Free Cash is available?

A: \$1.5 million. Sound business practice suggests not using Free Cash at this point. The MA DOR will not certify Free Cash until the audit for FY2011 is completed.

Q: Mr. Andrews stated he will fill the role of the accountant for a short time.

A: Powers & Sullivan cannot fill the role of the Town Accountant. Powers & Sullivan will not do anything to jeopardize their role as independent auditors. The Town Administrator can fill the role on a short-term basis. Town business can go on.

Q: What qualifications should the Town be looking for in a Town Accountant?

A: Previous experience in Massachusetts. The market is limited and town accountants are not in abundance in the market place. At the minimum, someone should

hold an accounting degree. Many educational sessions are available to be trained on the MASS Uniform Accounting System.

Q: Is there an adequate Fiscal Recovery Plan?

A: It is adequate. Some issues will take longer than others to accomplish. There is a need to establish a priority to address the outstanding tasks. Some tasks will be accomplished at departmental levels. Some solutions are more complicated than individuals realize. Resolving major issues will take care of many minor issues.

Q: Is there only a one-time re-certification of Free Cash?

A: Free Cash will only go down. One-time re-certification of Free Cash can be requested for major amounts.

Q: Who should have initiated the reconciliation?

A: Both the Treasurer and the Town Accountant are responsible. The Town Accountant is responsible for reconciling the general ledger and bringing the information together. The Treasurer puts the cash receipts data directly into the system. Some journal entries were made backwards which further confounded the system. The Treasurer did provide the data for the Accounting Department to reconcile the cash accounts.

Q: Was the Town Administrator aware that the difficulty existed?

A: \_\_\_\_\_

Q: Is using the Health Insurance Trust Fund to balance the FY2012 budget a recommended action?

A: As an auditor, he cannot make a recommendation. However, sufficient funds remain in a cushion. A year end audit will indicate the extent of a cushion. Many communities do use their Health Trust Fund on occasion.

Q: Is it advisable to use the Health Insurance Trust Fund?

A: There is still stop loss insurance. The Town is self-insured up to \$150,000. the MA DOR can only make recommendations, they cannot prohibit such actions. He cannot make policy recommendations. It is not recommended to continue to balance the budget annually on the back of the Trust Fund.

Audience members questions were taken at this time.

Q: Can the term "interim" be defined?

A: Attorney Bowen outlined the process of appeal suggesting a timeline to be followed (relative to Town Accountant Elizabeth Zaleski). A hearing date is offered w/in two weeks. He anticipates a speedy resolution w/in several weeks. Mr. Powers stated there is no specific answer. The situation should be resolved as soon as possible taking into account the appeal process in progress.

Q: Is there a statutory requirement to fill the position in a specific time?

A: No.

Q: \$2.4 million is the highest Free Cash position in history. How come?

A: This should raise red flags since it is way out of the norm.

Q: Could the Town have more money?

A: No, Free Cash can only go down. There is no additional cash.

Q: Is this purely a reconciling issue?

A: As far as it can be determined at this point, yes as well as some journal entry issues.

Q: What is the remedy in the procedure in place to monitor and to reconcile in the future?

A: The question was not allowed since it went into policy issues.

#### IV. ADJOURNMENT

**MOTION:** A motion was made & seconded to adjourn the meeting at 6:47 P.M.

**VOTE:** Unanimous (6-0-0)

Respectfully submitted,

Kelly Barrasso  
Kelly Barrasso, Typist

Date signed: 6/1/11

Attest: William R.C. White  
William R.C. White, Clerk  
WAREHAM FINANCE COMMITTEE

Date filed: 6/2/11

Date copy sent to Town Clerk: 6/2/11

