

Minutes-Approved10/30/12

Town of Wayland

Audit Committee Minutes

Date: August 6, 2012

Time of Meeting: 6:00 p.m.

Place of Meeting: Wayland Town Building, Selectman's Meeting Room

Members Present: Tony Boschetto, Gordon Cliff, Chris Cullen, Ben Downs, Chris Riley
Members Absent: None

Call to Order: Meeting was called to order at 6:01 p.m. by Chris Riley.

Minutes: Mr. Riley volunteered to take minutes.

Public Comment:

Donna Bouchard discussed three areas of concern:

1. The proposed School audit,
2. The OPEB account, and
3. The reserve for encumbrances account designated F/B for \$500k.

Ms. Bouchard handed out to committee members:

1. A copy of the Town of Wayland Combined Balance Sheet date June 30, 2011 highlighting liability accounts "Reserve for Encumbrances" and "Designated F/B."

Shawn Kinney discussed the role and duties of the Audit Committee as it might apply to the School Committee and the proposed School audit. One of Mr. Kinney's concerns relates to the use of the Principal's discretionary accounts. He provided handouts to support his concerns. He also distributed a letter from the Town of Wellesley Audit Committee to the Chair of the Wellesley School Committee discussing the "Review of the School Business Office and Selected Revenue Programs of the Wellesley Public Schools" by their audit contractor Powers & Sullivan.

Linda Segal welcomed the committee members. She discussed the roles and duties of the committee.

Election of Chair:

Chris Riley solicited nominations from committee members. Ben Downs nominated Chris Riley. There being no other nominations, it was moved and seconded to take a vote. Vote: 4 in favor. None opposed. One (Chris Riley) abstained.

Review and discussion of Committee Charge:

Town Administrator Fred Turkington discussed the duties and responsibilities of the Audit Committee as voted by the Selectmen. Mr. Boschetto passed out an article titled "A New Vision for Public Sector Audit Committees." A healthy discussion ensued on this topic.

Review Contract for Audit Services with Melanson Heath & Company, P.C.:

With input from Mr. Turkington and Finance Director Michael DiPietro, the committee reviewed the:

1. Calendar for the current audit, and
2. The scope of work as detailed in the Agreement for Provision of Auditing Services signed 5/20/2011.

Review the FY2011 audit and Management Letter

The committee, Mr. Turkington and Mr. DiPietro discussed the FY 2011 audit and recommendations including:

1. The 2011 Management Letter outlining four (4) current year recommendations, and
2. The Town's December 13, 2011 response to the Management Letter detailing progress in conforming to the recommendations.

Discussion with Melanson Heath relative to services provided, scope, status and timetable for 2012 audit

Scott McIntyre from Melanson Heath along with Messrs. Turkington and DiPietro joined the committee in a wide ranging discussion. Topics discussed included:

1. Schedule for the 2012 audit beginning with an initial review in May of 2012,
2. Scrutiny of school and town revolving accounts, trust fund accounts and year end cutoff procedures for capital projects,
3. Comparison to other towns audited by Melanson Heath (In Mr. McIntyre's opinion Wayland compared favorably),
4. Areas that will continue to be subject to rigorous testing of internal controls include:
 - a. Cash collections,
 - b. Purchasing,
 - c. Related party transactions,
5. Necessity of forming an internal audit function (Mr. McIntyre felt this was unnecessary. He has only suggested this course in special situations, such as a city/town that operated a municipal airport.)
6. Timing of audit scope expansion (sooner than later),
7. OPEB (McIntyre praised Wayland as one of few towns that have a net asset position),
8. Areas of expanded scope per GFOA,
9. Change in Scope of 2012 audit (no major changes according to McIntyre)

Request for Background Information

The committee asked Mr. Turkington to forward various reports or links to reports discussed.
Next Meeting Date, Time, and Agenda

1. Date 8/27/12 at 7 pm.
2. Purpose-to evaluate Melanson Heath contract and discuss additional areas of focus for this year's audit.
 - a. Invite Paul Grasso and Tom Greenaway to discuss development of the scope of work for Melanson Heath.
 - b. Invite Rebecca Chasen from ORC for update and potential follow through with audit.
 - c. Invite John Bladon to discuss role and responsibility of Audit Committee as voted by BOS.

Adjournment

A motion was made, seconded, and unanimously voted to adjourn. The meeting was adjourned at 8:35 pm.

Respectfully submitted,

Chris Riley

Documents:

1. D. Bouchard
 - a. Town of Wayland Combined Balance Sheet for YE 6/30/11.
 - b. Munis Balance Sheet for 2011 period 13.
2. S. Kinney
 - a. Letter from Wellesley Audit Committee to Chair of Wellesley School Committee re: review of School Business Office and selected revenue programs.
 - b. Quicken spreadsheet of principal's discretionary account dated 10/21/99-8/6/12.
3. T Boschetto
 - a. Article titled "A New Vision for Public Sector Audit Committees."
4. Audit scope of services Melanson Heath.
5. Town response to Melanson Heath management letter 12/11.

AGREEMENT FOR PROVISION OF AUDITING SERVICES

This Agreement is entered into this twentieth day of May, 2011 between the Town of Wayland, Massachusetts, a body politic and corporate of the Commonwealth of Massachusetts (the "Town"), with offices at 41 Cochituate Road, Wayland, Massachusetts 01778, and Melanson Heath & Company, P.C., an entity organized under the laws of the Commonwealth of Massachusetts having a usual place of business at 10 New England Business Center Drive, Suite 107, Andover, Massachusetts 01810 (the "Contractor").

In consideration of the mutual agreements by the parties contained herein, the Town and the Contractor agree as set forth below.

ARTICLE 1. CONTRACT DOCUMENTS

1.1 The contract documents consist of this Agreement and the other documents and specifications enumerated below or referred to in such other documents or specifications. The contract documents are all as fully a part of this Agreement as if attached to this Agreement or repeated herein. The Contract Documents are as follows, with terms used herein having the meanings assigned to such terms in such Contract Documents:

Request for Proposal for Annual Audit Services dated March 3, 2011, including any specifications and Contractor's Proposal entitled "Technical Proposal for Audit of Financial Accounts and Records for the Years Ended June 30, 2011 - 2013" submitted on April 1, 2011

ARTICLE 2. SCOPE OF WORK

2.1. The Contractor shall perform annually an audit of the Town of Wayland financial statements including presentation of comparative financials as of June 30, 2011; June 30, 2012; and June 30, 2013 and for the years then ended. The Contractor shall also perform annually an audit of the financial statements associated with the Town's operations. Each annual audit shall be performed in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards (most recent revision) issued by the Comptroller General of the United States 2010. The Contractor shall plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, including examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation, and issuing a report thereon. The work of the Contractor shall conform to the terms of the Specifications. The Contractor shall annually provide the Town with thirty (30) copies of the combined financial statements, together with auditors' reports, which shall be spiral or otherwise bound.

2.2. The Contractor shall, in connection with each annual audit, perform tests and report on the Town's compliance with applicable laws, regulations, contracts, and grants.

2.3. The Contractor shall, in connection with each annual audit, review the Town's internal control structure and assess control risk, report on material weaknesses noted, and inform and confer with management and the Members of the Board of Selectmen and other boards so designated regarding recommendations.

2.4. The Contractor shall provide from time to time, during the term of this Agreement, advice and consultation with respect to accounting matters and shall, at the request of the Town Administrator, provide brief written responses with respect to appropriate procedures and appropriate interpretations of the Contractor's reports.

2.5. The Contractor shall, in connection with each annual audit, schedule and participate in conferences, meetings, and briefings in accordance with the Specifications.

2.6. The Contractor will perform special assignments at the request of the Town Administrator. Special assignments may include audits or reviews of specified accounts or projects. No such assignment shall be performed, nor shall the Contractor be entitled to receive compensation therefore, unless the Town Administrator has authorized the assignment in advance, in writing, specifying the scope of the activity and the total compensation.

ARTICLE 3. COMPENSATION

3.1. The Contractor's compensation for all services rendered in connection with Paragraphs 2.1 through 2.5 of this Agreement, inclusive of all fees and expenses, shall be as follows:

<u>Fiscal Year Ended</u>	<u>Town Audit</u>	<u>EOY Compliance Supplement</u>	<u>Total</u>
June 30, 2011	\$ 29,000	\$ 4,500	\$ 33,500
June 30, 2012	\$ 29,000	\$ 4,500	\$ 33,500
June 30, 2013	\$ 29,000	\$ 4,500	\$ 33,500

3.2. Compensation for any special assignment shall be based upon a project fee for such assignment. Prior to the commencement of any special assignment, the Contractor shall propose to the Town in writing a project budget, including the Contractor's proposed fee (expressed as a total dollar amount), and all other expenses, together with a proposed work plan and timetable for executing the assignment. The Town Administrator may approve the proposal, return the proposal for revisions, or reject the proposal. In no event shall the Contractor be entitled to compensation or reimbursement for any service or expense unless undertaken in accordance with a project budget (or amendment thereto) which has been approved in writing by the Town Administrator.

3.3. Within fourteen (14) days after the execution of this Agreement, and annually thereafter, the Contractor shall submit to the Town Administrator a schedule for payment, reflecting the

Contractor's best estimate of monthly work flow for the ensuing year. Such schedule shall be subject to review and approval by the Town Administrator, such approval not to be unreasonably withheld. Such schedule, when approved by the Town Administrator, shall be incorporated in this Agreement and used as a basis for payment to the Contractor, provided that such payment schedule shall be adjusted as reasonably determined by the Town Administrator in the event that there shall be a change in the work plan or timelines thereunder, or in the event that the actual level of effort required of the Contractor during any period differs materially from the anticipated level of effort for such period upon which such schedule was based.

3.4. The Contractor shall submit to the Town Administrator a monthly invoice setting forth the amount due for the preceding month (a) for services rendered in connection with Paragraphs 2.1 through 2.5; and (b) for special assignments, if any. Each invoice shall include a detailed breakdown of each amount and the sum of all prior payments. The Town Administrator shall review each such invoice and may make such exceptions or adjustments as may be necessary to bring such invoice into conformity with the terms of this Agreement. Within thirty (30) days after submission of each such invoice, the Finance Department shall make payment to the Contractor in the amount approved, subject to Paragraph 3.5.

3.5. The Town shall not be obligated to make any payment to the Contractor hereunder if and to the extent that the Contractor is in material default of its obligations hereunder; or any part of such payment is attributable to services which are not performed in accordance with this Agreement, provided that payment shall be made as to the part thereof attributable to services which were performed in accordance with this Agreement.

ARTICLE 4. FURTHER RESPONSIBILITIES OF CONTRACTOR

4.1. The Contractor shall perform its services hereunder as expeditiously as is consistent with the standards of professional skill and care required by Paragraph 4.6. The Contractor shall adhere to the time lines set forth in the Specifications and each approved work plan. Time is of the essence of this Agreement. Time lines may be modified by mutual agreement of the parties. If the Contractor is hindered or delayed in the commencement or progress of the work by any act or omission of the Town, or unforeseeable causes beyond the control and not caused in whole or in part by fault or negligence of the Contractor, the Contractor shall be entitled to an extension of time reasonably needed to complete the work or portion thereof affected by the delay, provided the Contractor shall give prompt written notice of the delay, stating the causes and proposing a modification of the affected time lines.

4.2. The Contractor shall defend, indemnify, and hold harmless the Town of Wayland, its officers and employees from and against any and all claims, demands, actions, including actions for personal injury or wrongful death, actions for property damage, and any other types of claims asserted by third persons alleging a violation of law or for any other cause, arising from or related to the Contractor's performance, acts, or operations relating to this Agreement; provided, however, that this obligation to defend, indemnify and hold harmless shall not apply, as to any liability, loss, expense or claim, to the extent the Contractor demonstrates that such liability, loss, expense or claim (a) is caused by the Town; (b) is attributable to

misrepresentations by the management of the Town in any written communication to the Contractor on which the Contractor has relied in performing its services; or (c) is a liability, loss, expense or claim for which the Contractor is prohibited from indemnifying a client under any standard or ruling of the American Institute of Certified Public Accountants.

4.3. The Contractor shall maintain throughout the duration of this Agreement Errors and Omissions coverage in an amount not less than \$1 million. The Contractor shall provide a certificate of such insurance issued by a corporation licensed or authorized by the Commissioner of Insurance to do business in Massachusetts. In the event that the Contractor represents that it is self-insured, the Contractor shall provide evidence satisfactory to the Town Administrator which reasonably establishes that the Contractor has assets to support the amount self-insured. The Town may terminate this Agreement, without affecting any coverage secured by the Contractor hereunder, if the Town Administrator finds that the Contractor has failed to establish the existence of or maintain assets to support the amount of self-insurance claimed.

4.4. The Contractor shall maintain in confidence all business information pertaining to the Town which becomes available to the Contractor in connection with its services under this Agreement. All data and information developed by the Contractor in the performance of this Agreement shall become the property of the Town and shall not be disclosed by the Contractor without the prior express written approval of the Town Administrator, nor shall the Contractor make any use of such data or information for any purpose other than the fulfillment of the Contractor's obligations pursuant to this Agreement. All right, title and interest, including copyright, to all data, information and other work product generated or created pursuant to this Agreement, shall be and remain in the Town. Notwithstanding anything herein to the contrary, the Contractor shall be entitled to retain ownership and control of its working papers to the extent required by professional standards promulgated by the American Institute of Certified Public Accountants. In the event the Contractor receives a subpoena or other validly issued administrative or judicial process requiring the production of materials subject to this Paragraph 4.4, the Contractor shall promptly notify the Town Administrator so as to provide the Town an opportunity to prevent production, and shall thereafter be entitled to comply with such subpoena or process to the extent required by law.

4.5. The parties acknowledge that the services to be performed under this Agreement require a special relationship of trust, cooperation, and good faith between them. The Contractor therefore agrees that he shall not accept engagements adverse to the interests of the Town in the subject matter of this Agreement.

4.6. The Contractor agrees that the performance of services under this Agreement shall conform to the professional standards promulgated by the American Institute of Certified Public Accountants and any other generally applied ethical and professional standards established by appropriate authorities.

ARTICLE 5. NON-DISCRIMINATION

5.1. The Contractor shall not, in connection with the performance of work under this Agreement, discriminate against any employee or applicant for employment because of race, color, religion, creed, national origin, ancestry, age, sex, handicap, or disability. The Contractor shall post in conspicuous places in the Contractor's offices located within the Commonwealth of Massachusetts, available for employees and applicants for employment, such notices as are provided by the Massachusetts Commission Against Discrimination setting forth the provisions of the Fair Employment Practices law of the Commonwealth.

5.2 The Contractor shall ensure that all employees, including supervisory employees, assigned to provide services under this Agreement within any facility of the Town shall have been instructed, prior to such assignment, regarding laws and regulations against harassment and other forms of discrimination based on sex, race, color, religion, creed, national origin, age, disability, and sexual orientation. The Contractor shall provide each such employee assigned to perform work under this contract with a copy of the Town's personnel policies prohibiting discriminatory behavior (or with a copy of the Contractor's own such policies, if substantially to the same effect). The Contractor shall ensure that its employees do not engage in any form of behavior which would contribute to a hostile work environment for employees of the Town or other contractors of the Town, and, shall, upon becoming aware of any such behavior through notice from the Town or otherwise, take prompt and effective corrective action.

ARTICLE 6. PROJECT MANAGER; ACCOUNT STAFFING

6.1. The Contractor shall, in conformity with the Request for Proposals and the Contractor's Qualifications Statement, designate a project manager and project staff, and shall not substitute any individuals therefore unless such individuals meet the requirements stated in the Request for Proposals. The Contractor shall notify the Town Administrator in writing in advance of proposed changes in the project manager and project staff, and such changes shall be subject to the approval of the Town Administrator, provided such approval shall not be unreasonably withheld. The project manager shall be available and responsible for giving prompt attention and regard to the requests, inquiries and instructions of the Town Administrator relating to the fulfillment of this Agreement.

6.2. The Contractor acknowledges that continuity in the staffing of the work to be performed under this Agreement will contribute significantly to the efficient prosecution of such work. The Contractor agrees to exercise its best efforts to maintain continuity in the staffing of such work throughout the term of this Agreement. In the event of any changes in such staffing, the Contractor shall be responsible for ensuring that newly assigned staff members are fully briefed, by the Contractor's staff, as to the Town's accounting procedures.

ARTICLE 7. NOTICES

7.1. The Contractor shall provide all notices and invoices in connection with the performance of this Agreement to the Town Administrator at 41 Cochituate Road, Wayland, MA 01778 or to such other individual as the Town Administrator may from time to time in writing direct. The Town Administrator shall provide all notices and claims to the project manager designated by

the Contractor or to such other individual or individuals as the Contractor may set forth in claim procedures provided to the Town Administrator. All notices shall be in writing.

ARTICLE 8. DEFAULT; TERMINATION

8.1. The occurrence of any of the following events shall be a default under this Agreement:

(a) the Contractor shall file a voluntary petition in bankruptcy or proceedings in bankruptcy shall be instituted against it and shall not be dismissed within 120 days after filing, or any court shall take jurisdiction of the Contractor and its assets, pursuant to proceedings brought under the provisions of any federal reorganization act, or a receiver of the Contractor's assets shall be appointed, or an assignment shall be made for benefit of creditors, or the Contractor shall permanently be prevented by any final action of any federal or state authority from conducting or operating its business;

(b) the Contractor shall fail to perform, keep or observe any term, covenant or condition herein contained which, because of its character, would immediately jeopardize the Town's interest;

(c) the Contractor shall fail to perform, keep or observe any other term, covenant, or condition herein contained within thirty (30) days after notice from the Town;

(d) the Contractor abandons in whole or in part its services provided for by this Agreement or becomes unable to perform its services under this Agreement; or

(e) any other event expressly identified as a default or material breach or a ground for termination under this Agreement shall occur.

8.2. Upon the occurrence and continuance of a default, the Town may terminate this Agreement by giving notice to the Contractor, may exercise any other legal or equitable right or remedy which it may have, or both. In the event of such termination, the Town may, but need not, procure, upon such terms and in such manner as it may deem appropriate, services similar to those provided for hereunder without prejudice to any other rights and remedies for default the Town may have. The Contractor shall be liable to the Town for reasonable additional costs for such similar services.

8.3. The Town Administrator may terminate this Agreement without cause by delivery of written notice to the Contractor at least seven (7) days prior to the date of termination. In the event of termination pursuant to Paragraph 8.2 or this Paragraph 8.3, the Contractor shall deliver to the Town any and all work or work in progress produced under this Agreement prior to its termination, and the Town shall, upon receipt of such work, pay the Contractor the reasonable value of said work less any set-off for damages caused by the Contractor in the event that the termination was for cause as set forth above.

ARTICLE 9. TERM

9.1. This Agreement shall commence on May 20, 2011, and shall continue through May 31, 2014.

ARTICLE 10. MISCELLANEOUS

10.1. The Contractor's rights, duties and obligations under this Agreement may not be assigned, transferred, subcontracted or delegated without the express prior written approval of the Town in its sole discretion.

10.2. The Contractor is engaged under this Agreement as an independent contractor and not as an agent, employee or partner of the Town.

10.3. No member, director, officer, joint venturer, beneficiary, consultant, volunteer, participant, employee, agent or representative of the Town shall be personally liable to the Contractor under any term or provision of this Agreement for the Town's payment obligations or otherwise, or because of any breach hereof, the Contractor agreeing to look solely to the assets of the Town for the satisfaction of any liability hereunder. In no event shall the Town be liable to the Contractor except for payment for services rendered pursuant to and in accordance with this Agreement, nor shall the Town ever be liable to the Contractor for indirect, incidental, special or consequential damages.

10.4. This Agreement shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Massachusetts.

10.5. This Agreement may be amended only by a written instrument executed by the Town and the Contractor.

10.6. The Contractor shall familiarize its employees assigned to perform services under this Agreement with the provisions of Massachusetts General laws, Chapter 268A (the Massachusetts conflict-of-interest law) and the Town's Policy & Procedures Manual as said manual relates to gifts and gratuities from "interested parties."

IN WITNESS WHEREOF, the Town and the Contractor have executed this Agreement as of the date and year first written above.

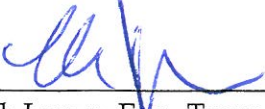
FOR THE TOWN OF WAYLAND, MASSACHUSETTS



Frederic E. Turkington, Jr., Town Administrator



Michael DiPietro, Finance Director/Town Accountant
As to availability of funds



Mark Lanza, Esq., Town Counsel
As to form

FOR MELANSON HEATH & COMPANY, P.C.



Scott C. McIntire
Vice-President



MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

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May 12, 2011

Michael F. DiPietro
Finance Director
Town of Wayland
41 Cochituate Road
Wayland, MA 01778

Dear Mr. DiPietro,

We are pleased to confirm our understanding of the services we are to provide the Town of Wayland, Massachusetts for the year ended June 30, 2011. We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements, of the Town as of and for the year ended June 30, 2011. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Town's basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic and historical context. As part of our engagement, we will apply certain limited procedures to the Town's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

Additional Offices:

Greenfield, MA • Ellsworth, ME • Nashua, NH • Manchester, NH

- Management's Discussion and Analysis
- Supplementary OPEB information

Supplementary information other than RSI also accompanies the Town's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the basic financial statements taken as a whole.

- Schedule of Expenditures of Federal Awards

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the basic financial statements taken as a whole. The objective also includes reporting on:

- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The reports on internal control and compliance will each include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the entity, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with Circular A-133, and other

procedures we consider necessary to enable us to express such opinions and to render the required reports. If our opinions on the financial statements or the Single Audit compliance opinions are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for the preparation of the schedule of expenditures of federal awards in accordance with the requirements of OMB Circular A-133. As part of the audit, we will assist with the preparation of your financial statements, schedule of expenditures of federal awards, and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements, schedule of expenditures of federal awards, and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representations letter our assistance with the preparation of the financial statements and schedule of expenditures of federal awards and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them. We will prepare the trial balance for use during the audit. Our preparation of the trial balance will be limited to formatting information into a working trial balance based on management's chart of accounts.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs administered in compliance with compliance requirements. You are also responsible for the selection and application of accounting principles; for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town and the respective changes in financial position and, where applicable, cash flows in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that management and financial information is reliable and properly recorded. Your responsibilities also include,

identifying significant vendor relationships in which the vendor has the responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review. You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principle. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon.

Management is responsible for establishment and maintenance of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Audit Procedures-General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

Audit Procedures-Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be neces-

sary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and OMB Circular A-133.

Audit Procedures-Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Town's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Circular A-133 Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the Town's major programs. The purpose of those procedures will be to express an opinion on the Town's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Engagement Administration, Fees and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. We will provide copies of our reports to the Town; however, it is management's responsibility to submit the reporting package (including financial statements, schedule of

expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and a corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

The audit documentation for this engagement is the property of Melanson Heath & Company, P.C. and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to a Cognizant or Oversight Agency or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Melanson Heath & Company, P.C. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release or for any additional period requested by the Cognizant or Oversight Agency. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the parties contesting the audit finding for guidance prior to destroying the audit documentation.

Scott C. McIntire, CPA, is the engagement officer and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. Our fee for these services will not exceed \$ 29,000 for the Financial Statement audit, and \$ 4,500 for the End-of-Year Report audit.

Should the Town receive or expend stimulus money from the American Recovery and Reinvestment Act of 2009, additional fees will need to be agreed upon. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our latest peer review report will be provided at your request.

We appreciate the opportunity to be of service to the Town and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Melanson Heath & Company P.C.

Melanson Heath & Company, P.C.

RESPONSE:

This letter correctly sets forth the understanding of the Town of Wayland, Massachusetts.

By: *Julia S. [Signature]*
Title: *Town Administrator*
Date: *June 1, 2011*

Town of Wayland Combined Balance Sheet June 30, 2011

	General Fund	Special Revenue	Capital Projects	Water Fund	Sewerage Fund	Wastewater Fund	Trust & Agency	Long-Term Debt Group	Total
ASSETS									
Cash and Investments:									
Cash	80,296,991								80,296,991
Investments									0
Total	80,296,991	0	0	0	0	0	0	0	80,296,991
Receivables:									
Property Taxes	1,153,050	8,415							1,161,474
Tax Title	790,039								790,039
Motor Vehicle Excise	145,344								145,344
User Charges				741,458		90,146			831,605
Due from Other Governments	57,145,333	14,445,102	25,346,789	4,094,443	243,239	818,989	12,196,212	0	97,470,107
Due to Other Governments	(55,056,891)	(4,453,577)	(25,346,789)	(4,835,902)	(243,739)	(909,135)	(12,196,212)	0	(92,081,255)
Total	57,145,333	14,445,102	25,346,789	4,094,443	243,239	818,989	12,196,212	0	97,470,107
Amount to be Provided For:									
Retirement of Bonds								78,289,910	78,289,910
Retirement of Anticipation Notes								78,289,910	78,289,910
Total	0	0	0	0	0	0	0	156,579,820	156,579,820
Total Assets	26,240,100	14,453,577	25,346,789	4,835,902	547,739	909,135	12,196,212	78,289,910	161,815,363
Liabilities & Fund Balances									
Liabilities:									
Warrants Payable	1,125,887	213,112	4,745,909	55,019			1,176		6,141,104
Accrued Payroll & Withholdings	1,480,504								1,480,504
Reserve for Abatement	2,888,816								2,888,816
Other Liabilities	1,617,680								1,617,680
Deferred Revenues	(890,374)	8,415		741,458		90,146			39,645
Bond and Grant Anticipation Notes								78,289,910	78,289,910
Bonds Payable								90,457,660	90,457,660
Total Liabilities	6,312,514	221,527	4,745,909	796,477	0	91,323	0	78,289,910	84,157,760
Fund Balances:									
Retained Earnings Appropriated					203,506		611,812		815,319
Unreserved	13,866,309	11,087,697	20,600,880	3,429,424	40,233	200,000	12,196,212	0	61,179,921
Reserved for Expenditures	2,010,000			550,000		60,000			2,800,233
Reserved for Encumbrances	1,543,901	3,144,953		60,000					4,756,853
Reserved for Other									0
Reserved for Overlay Deficit	1,505,377								1,505,377
Reserved for Debt Excess Premium	18,927,586	14,232,030	20,600,880	4,039,424	243,739	817,812	12,196,212	0	71,057,703
Total Fund Balances	25,240,100	14,453,577	25,346,789	4,835,902	243,739	909,135	12,196,212	78,289,910	161,515,363
Total Liabilities & Fund Balances	26,240,100	14,453,577	25,346,789	4,835,902	547,739	909,135	12,196,212	78,289,910	161,815,363

Spec. Inv.

Pool

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FUND: 10 GENERAL FUND		NET CHANGE FOR PERIOD		ACCOUNT BALANCE
ASSETS				
10	10100	CASH	.00	80,296,991.29
10	12103	03 PERSONAL PROPERTY	.00	707.56
10	12104	04 PERSONAL PROPERTY	.00	3,242.14
10	12105	05 PERSONAL PROPERTY	.00	516.63
10	12106	06 PERSONAL PROPERTY	.00	393.58
10	12107	07 PERSONAL PROPERTY	.00	628.48
10	12108	08 PERSONAL PROPERTY	.00	1,049.45
10	12109	09 PERSONAL PROPERTY	.00	2,852.48
10	12110	10 PERSONAL PROPERTY	.00	3,950.23
10	12111	11 PERSONAL PROPERTY	.00	5,028.49
10	12209	09 REAL ESTATE	.00	17,881.20
10	12210	10 REAL ESTATE	.00	83,643.22
10	12211	11 REAL ESTATE	.00	620,933.38
10	12306	06 ALLOWANCE FOR ABATEMENT	.00	-12,423.58
10	12307	07 ALLOWANCE FOR ABATEMENT	.00	-123,497.25
10	12308	08 ALLOWANCE FOR ABATEMENT	.00	-18,758.53
10	12309	09 ALLOWANCE FOR ABATEMENT	.00	-521,786.09
10	12310	10 ALLOWANCE FOR ABATEMENT	.00	-773,442.11
10	12311	11 ALLOWANCE FOR ABATEMENT	.00	-1,438,908.51
10	12401	TAX TITLE	.00	790,039.41
10	12531	DEFERRED PROPERTY TAXES	.00	412,231.73
10	12603	03 MOTOR VEHICLE EXCISE	.00	6,677.10
10	12604	04 MOTOR VEHICLE EXCISE	.00	5,058.38
10	12605	05 MOTOR VEHICLE EXCISE	.00	3,182.23
10	12606	06 MOTOR VEHICLE EXCISE	.00	3,084.24
10	12607	07 MOTOR VEHICLE EXCISE	.00	3,694.86
10	12608	08 MOTOR VEHICLE EXCISE	.00	9,909.01
10	12609	09 MOTOR VEHICLE EXCISE	.00	8,756.69
10	12610	10 MOTOR VEHICLE EXCISE	.00	14,423.89
10	12611	11 MOTOR VEHICLE EXCISE	.00	90,557.56
10	16110	DUE FROM/TO OTHER FUNDS	.00	-57,145,333.24
TOTAL ASSETS			.00	22,351,283.92
LIABILITIES				
10	20100	WARRANTS PAYABLE	.00	-1,125,887.10
10	21501	GROUP INS W/H PAYABLE	.00	-1,480,518.36
10	21709	UNION DUES SCH	.00	14.00
10	25802	GUARANTEED DEPOSITS- BOH	.00	-19,139.32
10	25803	GUARANTEED DEPOSITS- CONSERVAT	.00	-342,337.04
10	25804	GUARANTEED DEPOSITS- BUILDING	.00	-741,538.94
10	25805	GUARANTEED DEPOSITS- PLANNING	.00	-164,665.02
10	25850	TRANSFER STATION CAPING	.00	-350,000.00
10	26101	DEFERRED REV-R.E. & P.P. TAX	.00	945,718.09
10	26301	DEFERRED REV-M.V. EXCISE	.00	-145,343.96

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 mdipietro

TOWN OF WAYLAND
 BALANCE SHEET FOR 2011 13
 FUND:

FUND: 10 GENERAL FUND

		NET CHANGE FOR PERIOD	ACCOUNT BALANCE
TOTAL LIABILITIES			
		.00	-3,423,697.65
FUND BALANCE			
10	32110	-1,045,900.62	-1,045,900.62
10	32401	.00	-2,010,000.00
10	35901	-3,977,193.12	-13,866,308.65
10	35952	.00	-1,505,377.00
10	35953	.00	-500,000.00
10	38910	1,045,900.62	.00
10	39100	67,268,454.83	.00
10	39300	-62,245,361.09	.00
10	39400	-1,045,900.62	.00
TOTAL FUND BALANCE		.00	-18,927,586.27
TOTAL LIABILITIES + FUND BALANCE		.00	-22,351,283.92

** END OF REPORT - Generated by Michael Dipietro **

Itemized Categories - All Dates

10/21/1999 through 8/6/2012

Date	Account	Num	Description	Memo	Tag	Clr	Amount
INCOME							
	Uncategorized						386.06
	A Capella Club						15.95
	ACADEMICSUPPORT						0.00
	AMICITIAE						0.00
	AP						0.00
	ART						0.00
	ASIAN CULTURES						0.00
	ATHLETICS						0.00
	AUDIO VISUAL						383.75
	BAND						0.00
	BOOKS						0.00
3/23/2000	WHS Adult C...	1051	Focus Publishing			R	-384.26
5/19/2000	WHS Adult C...	1077	Cellular One			R	-20.00
10/18/2000	WHS Adult C...	1117	Mail Boxes, Etc.			R	-82.65
1/8/2001	WHS Adult C...	1140	Great Events			R	-680.63
1/8/2001	WHS Adult C...	1142	Matt Daniels			R	-11.31
1/31/2001	WHS Adult C...	1155	Kristin Sylvano			R	-125.00
3/2/2001	WHS Adult C...	1164	UPS			R	-11.62
3/23/2001	WHS Adult C...	1171	First Student, Inc.			R	-147.50
5/18/2001	WHS Adult C...	1202	Holt, Rinehart, Winston			R	-140.00
5/18/2001	WHS Adult C...	1203	Houghton Mifflin			R	-879.85
7/3/2001	WHS Adult C...	1247	Karina Gordin			R	-65.00
7/3/2001	WHS Adult C...	1249	Harcourt, Inc.			R	-137.80
7/16/2001	WHS Adult C...	1202	void check			R	140.00
7/17/2001	WHS Adult C...	1261	Edward Galan			R	-50.00
10/15/2001	WHS Adult C...	1272	Ann Marie Gagne			R	-45.51
10/29/2001	WHS Adult C...		To English Class			R	-13.00
12/13/2001	WHS Adult C...	1304	Rachael Levy	Toys		R	-500.00
12/18/2001	WHS Adult C...	1307	Summit Educational Group	PO #092101W		R	-508.80
3/1/2002	WHS Adult C...	1335	UPS			R	-23.80
3/11/2002	WHS Adult C...	1336	Peachtree Business Products	Customer #01013902...		R	-186.20
5/30/2002	WHS Adult C...	1358	Eric Hoke	ARML Math competi...		R	-100.00
6/17/2002	WHS Adult C...	1367	Barnes And Noble	Classroom Text		R	-95.88
6/26/2002	WHS Adult C...	1383	Glencoe Publishing Co.	inv # B702422F02		R	-757.52
7/30/2002	WHS Adult C...	1388	Nathaniel Broekman	Reimbursement for R...		R	-65.00
7/30/2002	WHS Adult C...	1389	Christine May	Reimbursement for b...		R	-55.00

Itemized Categories - All Dates

10/21/1999 through 8/6/2012

8/6/2012

Date	Account	Num	Description	Memo	Tag	Clr	Amount
12/5/2002	WHS Adult C...	1433	The McGraw-Hill Companies	Inv. No. B054017K02		R	-525.61
12/17/2002	WHS Adult C...	1442	David Samet	Reimbursement for b...		R	-40.00
6/16/2003	WHS Adult C...	1528	Schoenhoff's Bookstore			R	-219.00
6/16/2003	WHS Adult C...	1529	Barnes And Noble			R	-31.09
6/18/2003	WHS Adult C...	1535	American Red Cross Of Mas...	First Aid and CPR Ca...		R	-32.00
7/14/2003	WHS Adult C...	1547	Wes Przybylski	Returned Statistics b...		R	-70.00
7/14/2003	WHS Adult C...	1548	Jonah Model	Reimbursement for lo...		R	-56.00
8/8/2003	WHS Adult C...	1564	James Hogan	Reimbursement for ...		R	-56.00
8/22/2003	WHS Adult C...	1566	Kenneth Altshuler	Reimbursement for s...		R	-189.50
9/11/2003	WHS Adult C...	1569	Wayland Food Service Progr...	For Nathaniel Rakich ...		R	-19.25
10/14/2003	WHS Adult C...	1581	Stephanie Colson Stuhr	Bio Book #40-99 retur...		R	-55.00
1/6/2004	WHS Adult C...	1625	James Shaw	Reimbursement for L...		R	-70.00
7/8/2005	WHS Adult C...	1914	Deborah Johnson	Reimbursement for T...		R	-11.00
6/29/2006	WHS Adult C...	2078	Arielle Blum	Reimburse found Phy...		R	-65.00
7/5/2006	WHS Adult C...	2086	Sharon English	Reimbursement for O...		R	-12.00
7/13/2006	WHS Adult C...	2089	Kathleen Or Kennith Nazarian	Reimbursement for fo...		R	-72.49
9/18/2006	WHS Adult C...	2108	James Stone	Trip Leadership--Gre...		R	-1,500.00
10/3/2006	WHS Adult C...	2120	Matt Pesaturo	Reimbursement for fo...		R	-84.00
10/3/2006	WHS Adult C...	2121	Elizabeth Willard	Reimbursement for fo...		R	-29.50
10/18/2006	WHS Adult C...	2125	Peter Kelman	Reimbursement for ...		R	-80.00
10/18/2006	WHS Adult C...	2126	NETC	Partial Payment for J...		R	-600.00
11/6/2006	WHS Adult C...	2136	Wayland High School Studen...	Partial Reimburseme...		R	-2,067.32
3/1/2007	WHS Adult C...	2196	Wayland Pack & Ship			R	-18.91
3/7/2007	WHS Adult C...	2199	School Specialty Inc.	Inv. #97841711		R	-46.50
3/23/2007	WHS Adult C...	2204	Dee Or Don Gould	reimbursement for Ch...		R	-65.00
7/9/2007	WHS Adult C...	2258	Joanne McLaughlin	Reimbursement for Q...		R	-70.00
7/9/2007	WHS Adult C...	2259	Susan Blumenfeld	Reimbursement for F...		R	-6.50
9/10/2007	WHS Adult C...	2265	Marcus Or Sandy Peckham	Reimbursement for P...		R	-55.00
9/10/2007	WHS Adult C...	2267	Elizabeth Fineberg	Reimbursement for b...		R	-121.00
9/10/2007	WHS Adult C...	2268	Mohammed Shahabuddin Or...	Reimbursement for T...		R	-22.00
11/21/2007	WHS Adult C...	2310	Emily Norton	class coverage 1 clas...		R	-175.00
12/14/2007	WHS Adult C...	2321	Jeff Blue	SST Stipend		R	-900.00
1/29/2008	WHS Adult C...	2341	Reginald O'Hare Gibson	Winter week		R	-650.00
1/29/2008	WHS Adult C...	2342	Iyeoka Okoawo	Winter week		R	-150.00
1/29/2008	WHS Adult C...	2343	Marlon O. Carey	Winter week		R	-150.00
1/29/2008	WHS Adult C...	2344	Dawn Gabriel	Winter week		R	-150.00
1/29/2008	WHS Adult C...	2345	Robert Rivera	winter week		R	-150.00
1/29/2008	WHS Adult C...	2346	Eric Peterson	winter week		R	-150.00

Itemized Categories - All Dates

10/21/1999 through 8/6/2012

8/6/2012

Date	Account	Num	Description	Memo	Tag	Clr	Amount
1/29/2008	WHS Adult C...	2347	Todd Brunel	winter week		R	-150.00
1/29/2008	WHS Adult C...	2348	Blake Newman	winter week		R	-150.00
5/14/2008	WHS Adult C...	2395	W.B. Mason Co., Inc.	Inv. SH9134-000		R	-447.14
6/2/2008	WHS Adult C...	2413	Barnes And Noble	Gift Card--Underclass...		R	-25.00
6/11/2008	WHS Adult C...	2425	John Wiley & Sons Inc.	Inv. # 9687708		R	-1,537.06
6/19/2008	WHS Adult C...	2427	Paul Shiffler			R	-500.00
6/19/2008	WHS Adult C...	2428	Debra Buchman			R	-500.00
6/19/2008	WHS Adult C...	2429	Janet Karman			R	-500.00
6/19/2008	WHS Adult C...	2430	Mary Barber			R	-500.00
6/19/2008	WHS Adult C...	2431	Susan Troilo	connector's stipend		R	-500.00
6/24/2008	WHS Adult C...	2434	Wayland Food Service Progr...	08-153		R	-165.45
6/24/2008	WHS Adult C...	2435	Kim Gold	Summer Work		R	-328.00
6/24/2008	WHS Adult C...	2436	Marybeth Sacramone	summer work		R	-328.00
8/22/2008	WHS Adult C...	2450	Jennifer Sullivan	Summer Scheduling		R	-164.00
8/22/2008	WHS Adult C...	2451	Jennifer Mast	Summer Scheduling		R	-164.00
8/22/2008	WHS Adult C...	2452	James Griffin	Summer Scheduling		R	-164.00
8/22/2008	WHS Adult C...	2453	James Girard	Summer scheduling		R	-164.00
8/22/2008	WHS Adult C...	2454	Sara Drapeau	Summer Scheduling		R	-164.00
8/22/2008	WHS Adult C...	2455	Michele Figueira	Achievement Gap Me...		R	-164.00
8/22/2008	WHS Adult C...	2456	Kathy Sherry	Achievement Gap Me...		R	-164.00
8/25/2008	WHS Adult C...	2457	Hannah Marton	Achievement Gap Me...		R	-164.00
8/25/2008	WHS Adult C...	2458	**VOID**Helen Rainoff	Summer Curriculum ...		R	0.00
8/25/2008	WHS Adult C...	2459	**VOID**Emily Norton	Summer Curriculum ...		R	0.00
8/25/2008	WHS Adult C...	2464	Flavia Zorngiotti	Reimbursement for P...		R	-63.00
9/4/2008	WHS Adult C...	2466	Joel Or Nancy Rosenhaus	Reimbursement for G...		R	-17.00
9/9/2008	WHS Adult C...	2469	Emily Norton	Summer Curriculum ...		R	-656.00
9/9/2008	WHS Adult C...	2470	Helen Rainoff	Summer Curriculum ...		R	-656.00
9/19/2008	WHS Adult C...	2472	Matt King	Summer Curriculum ...		R	-50.00
10/17/2008	WHS Adult C...	2488	EDCO Collaborative	12/3 & 12/10 workshop		R	-1,875.00
11/25/2008	WHS Adult C...	2518	CDW Government, Inc.	Inv. MHS0473		R	-411.45
11/26/2008	WHS Adult C...	2526	John Cobbett-Walden	Reimbursement for S...		R	-100.00
11/26/2008	WHS Adult C...	2527	Kenneth Rideout	reimbursement for co...		R	-545.00
11/26/2008	WHS Adult C...	2530	Hannah Marton	Reimbursement for S...		R	-3,500.00
12/2/2008	WHS Adult C...	2532	Barnes And Noble{1}	Holiday Event		R	-50.00
12/16/2008	WHS Adult C...	2539	Jeff Blue	Holiday Event		R	-500.00
12/16/2008	WHS Adult C...	2540	JJ McKays Restaurant	Poetry Slam		R	-250.00
1/30/2009	WHS Adult C...	2561	Reggie Gibson			R	-750.00
1/30/2009	WHS Adult C...	2563	Wayland Food Service Progr...	09-61 Faculty Meeting		R	-305.00

Itemized Categories - All Dates

10/21/1999 through 8/6/2012

Date	Account	Num	Description	Memo	Tag	Clr	Amount
2/24/2009	WHS Adult C...	2572	MMEA	All State Fee		R	-500.00
2/24/2009	WHS Adult C...	2573	The Wayland Town Crier	Acc. WVWL0176727---		R	-35.32
2/24/2009	WHS Adult C...	2575	Barnes And Noble	Books		R	-762.60
2/24/2009	WHS Adult C...	2576	Patrick Tutwiler	Reimbursement		R	-41.59
3/23/2009	WHS Adult C...	2588	UMass Lowell	Registration for works...		R	-300.00
3/23/2009	WHS Adult C...	2595	Wayland Food Service Progr...	09-83 Student Meeting		R	-60.00
5/11/2009	WHS Adult C...	2653	Wayland Food Service Progr...	Inv. 09-121		R	-174.00
5/21/2009	WHS Adult C...	2654	James Page	Professional Develop...		R	-500.00
6/10/2009	WHS Adult C...	2688	Wayland High School Studen...	reimbursement footba...		R	-84.00
6/24/2009	WHS Adult C...	2702	Susan Pressman	webmaster		R	-1,000.00
7/10/2009	WHS Adult C...	2704	Brenda Henderson-Brown	Refund for found prec...		R	-100.40
7/13/2009	WHS Adult C...	2709	Chris Zellner	Weight room monitor		R	-350.00
7/13/2009	WHS Adult C...	2710	Susan Memoli	Strings		R	-750.00
7/13/2009	WHS Adult C...	2711	Patrick Tutwiler	Reimbursement		R	-36.09
8/24/2009	WHS Adult C...	2713	Allyson Mizoguchi	Reimbursement--EO...		R	-35.90
8/24/2009	WHS Adult C...	2714	Patrick Tutwiler	Parking		R	-30.00
8/24/2009	WHS Adult C...	2717	Jerome Chase	reimbursement for tw...		R	-50.00
8/27/2009	WHS Adult C...	2719	Wayland High School Athletics	Nick Constantine		R	-225.00
8/27/2009	WHS Adult C...	2720	Wayland High School Athletics	Devaughn Cooper		R	-100.00
9/10/2009	WHS Adult C...	2724	Natick Awards Unlimited, LLC	541385		R	-59.00
9/17/2009	WHS Adult C...	2733	Marybeth Tinker	honorarium		R	-250.00
9/25/2009	WHS Adult C...	2735	Kathy Sherry	reimbursement for su...		R	-161.63
9/25/2009	WHS Adult C...	2737	Bayard Klimasmith	reimbursement		R	-75.00
9/25/2009	WHS Adult C...	2742	Treasurer Collector/Town Of ...	police coverage for hil...		R	-439.92
9/25/2009	WHS Adult C...	2744	Sara Langelier	Summer work 21st C...		R	-656.00
9/25/2009	WHS Adult C...	2745	Edmond DeHoratius	Achievement Gap Str...		R	-164.00
9/25/2009	WHS Adult C...	2746	Kirsten Lahey	Achievement Gap mt...		R	-164.00
9/25/2009	WHS Adult C...	2747	Barbara Coughlin	Achievement Gap mt...		R	-164.00
9/25/2009	WHS Adult C...	2748	Mark Liddell	Achievement Gap mt...		R	-164.00
9/25/2009	WHS Adult C...	2749	Keith Woods	Achievement Gap mt...		R	-164.00
9/25/2009	WHS Adult C...	2750	Judie Pickett	Achievement Gap Mt...		R	-164.00
9/25/2009	WHS Adult C...	2751	David Rockerman	Achievement Gap mt...		R	-164.00
9/25/2009	WHS Adult C...	2752	Mary Bracken	Achievement Gap Mt...		R	-164.00
9/25/2009	WHS Adult C...	2753	Sara Bodi	Achievement Gap Mt...		R	-164.00
9/25/2009	WHS Adult C...	2754	Jessica Imbomone	Achievement Gap Mt...		R	-164.00
9/25/2009	WHS Adult C...	2755	Kenneth Rideout	Achievement Gap Mt...		R	-164.00
9/25/2009	WHS Adult C...	2756	Richard Weingartner	Achievement Gap Mt...		R	-164.00
10/27/2009	WHS Adult C...	2761	Patrick Tutwiler	reimbursement for m...		R	-302.31

Itemized Categories - All Dates

10/21/1999 through 8/6/2012

Date	Account	Num	Description	Memo	Tag	Clr	Amount
11/4/2009	WHS Adult C...	2768	Patrick Tutwiler	Phone line reimburse...		R	-112.36
12/9/2009	WHS Adult C...	2798	Katerina Angehalki-Rooke			R	-500.00
12/22/2009	WHS Adult C...	2800	ACT Special Testing			R	-18.00
12/22/2009	WHS Adult C...	2801	DJ Triggs Entertainment	Cancelation Fee		R	-50.00
1/14/2010	WHS Adult C...	2813	Wayland Public Schools Fou...	Shipping/handling ch...		R	-38.90
1/14/2010	WHS Adult C...	2814	Patrick Tutwiler	Phone line reimburse...		R	-115.33
3/9/2010	WHS Adult C...	2835	Patrick Tutwiler	Phone line reimburse...		R	-56.39
3/9/2010	WHS Adult C...	2836	Fitchburg State College	Registration for cours...		R	-115.00
3/19/2010	WHS Adult C...	2841	NESDEC	Conference for Anne ...		R	-95.00
4/5/2010	WHS Adult C...	2849	Patrick Tutwiler	Phone Line 2/19 & 3/...		R	-170.29
4/23/2010	WHS Adult C...	2858	The Education Cooperative	4/8 workshop PO#04...		R	-450.00
4/30/2010	WHS Adult C...	2865	Patrick Tutwiler	Phone Line 4/19		R	-69.54
5/24/2010	WHS Adult C...	2874	Adam Nurse	refund for prom		R	-75.00
6/4/2010	WHS Adult C...	2889	Whole Foods/Wayland	Food for retirement p...		R	-305.94
6/17/2010	WHS Adult C...	2894	Scott Parseghian	reimbursement for pa...		R	-30.00
6/17/2010	WHS Adult C...	2895	Patrick Tutwiler	Phone Line 5/19		R	-68.48
7/1/2010	WHS Adult C...	2089	7/13/2006 Check Never Cas...			R	72.49
7/23/2010	WHS Adult C...	2903	Patrick Tutwiler	Phone Line 6/19		R	-63.80
7/29/2010	WHS Adult C...	2905	Patrick Tutwiler	Phone Line 7/19		R	-56.79
9/8/2010	WHS Adult C...	2910	David Rockerman	Lecture Reimburse...		R	-212.60
9/8/2010	WHS Adult C...	2911	Patrick Tutwiler	Reimbursement for P...		R	-14.00
10/18/2010	WHS Adult C...	2920	Patrick Tutwiler	Reimbursement for G...		R	-57.00
11/5/2010	WHS Adult C...	2947	SAT Program			R	-88.00
11/5/2010	WHS Adult C...	2948	SAT Program			R	-88.00
12/21/2010	WHS Adult C...	2967	Tony's Place			R	-88.00
2/18/2011	WHS Adult C...	3007	...Kristin Wheeler	food for METCO Pare...		R	-175.00
10/22/1999	WHS Adult S...		BALANCE FORWARD			R	-0.33
11/22/1999	WHS Adult S...	9A	Books			R	2,106.21
11/30/1999	WHS Adult S...	11A	Books			R	89.75
12/20/1999	WHS Adult S...	20A	Books			R	47.00
1/3/2000	WHS Adult S...	24A	Books			R	3,191.60
1/5/2000	WHS Adult S...	26A	Books			R	3.50
3/23/2000	WHS Adult S...	42A	Books			R	1,000.00
5/3/2000	WHS Adult S...	52A	...Balance from Bank Boston A...	BankBoston Balance		R	250.00
6/16/2000	WHS Adult S...	63A	Books			R	2,665.73
6/16/2000	WHS Adult S...	65A	Books			R	65.00
6/23/2000	WHS Adult S...		Returned Checks (2) ADAM ...			R	2,938.16
6/23/2000	WHS Adult S...		Return Check Fees (2)			R	-113.51
						R	-5.00

Itemized Categories - All Dates

10/21/1999 through 8/6/2012

Date	Account	Num	Description	Memo	Tag	Clr	Amount
7/5/2000	WHS Adult S...	74A	Lost Books			R	17.50
7/10/2000	WHS Adult S...	75A	Books			R	120.00
9/13/2000	WHS Adult S...	82A	Books			R	214.04
9/14/2000	WHS Adult S...	84A	Books			R	151.18
9/15/2000	WHS Adult S...		Deposit Listing Error 9/14			R	14.00
10/24/2000	WHS Adult S...	101	Lost Books			R	13.50
1/12/2001	WHS Adult S...	116A	Books			R	203.00
4/3/2001	WHS Adult S...	137A	Books			R	71.99
5/10/2001	WHS Adult S...	150A	Books			R	203.50
5/16/2001	WHS Adult S...	152A	Books			R	70.00
5/23/2001	WHS Adult S...	155A...	Mixed Deposit			R	8.00
6/1/2001	WHS Adult S...	158Aa	Books			R	1,455.60
6/3/2001	WHS Adult S...	158A	Books			R	252.00
6/5/2001	WHS Adult S...	159A	Books			R	2,173.81
7/16/2001	WHS Adult S...	168A	Books			R	91.50
8/8/2001	WHS Adult S...	170A	Books			R	10.00
10/18/2001	WHS Adult S...	185A	Books			R	54.00
11/13/2001	WHS Adult S...	197A	Books			R	40.00
11/29/2001	WHS Adult S...	199A	Books			R	133.95
3/13/2002	WHS Adult S...	216A	Books			R	54.65
5/28/2002	WHS Adult S...	246A	Books			R	6.00
6/4/2002	WHS Adult S...	250A	Books			R	181.10
6/10/2002	WHS Adult S...	253A	Books			R	2,684.50
6/13/2002	WHS Adult S...	255A	Books			R	209.50
6/14/2002	WHS Adult S...		CANNON--RETURNED CHE...	117.00 + 2.50 Fee		R	-119.50
6/14/2002	WHS Adult S...		CANNON--RETURNED CHE...	104.00 + 2.50 Fee		R	-106.50
6/19/2002	WHS Adult S...	260A	Books			R	95.00
6/27/2002	WHS Adult S...	261A	Books			R	195.95
6/28/2002	WHS Adult S...	263A	Books			R	892.37
7/1/2002	WHS Adult S...	263A2	Check Enclosed -- Not Listed			R	64.00
7/10/2002	WHS Adult S...	264A	Books			R	712.22
7/11/2002	WHS Adult S...	265A	Books			R	95.50
7/16/2002	WHS Adult S...	266A	Books			R	127.00
8/9/2002	WHS Adult S...	268A	Books			R	255.45
8/22/2002	WHS Adult S...	270A1	Books			R	161.00
9/10/2002	WHS Adult S...	270A	Books			R	122.00
9/19/2002	WHS Adult S...	278A	Books			R	50.00
10/4/2002	WHS Adult S...	S297	Books			R	108.95

Itemized Categories - All Dates

10/21/1999 through 8/6/2012

Date	Account	Numb	Description	Memo	Tag	Clr	Amount
12/16/2002	WHS Adult S...		Unknown Deposit			R	67.75
1/7/2003	WHS Adult S... 309A		Books			R	61.00
1/13/2003	WHS Adult S... 313A		Books			R	50.00
1/28/2003	WHS Adult S... 316A		Books			R	20.00
5/16/2003	WHS Adult S... 248A		Lost Books			R	269.00
6/2/2003	WHS Adult S... 256A		Books			R	86.00
6/11/2003	WHS Adult S... 260A		Books			R	2,459.00
6/25/2003	WHS Adult S... 269A		Books			R	761.92
7/9/2003	WHS Adult S... 274A		Books			R	588.81
9/11/2003	WHS Adult S... 277A		Books			R	102.69
10/30/2003	WHS Adult S... 294A		Books			R	395.64
12/11/2003	WHS Adult S... 305A		Books			R	6.00
1/14/2004	WHS Adult S... 307A		Books			R	15.00
1/14/2004	WHS Adult S... 310A		Books			R	50.00
5/11/2004	WHS Adult S... 338A		Books			R	55.40
8/23/2004	WHS Adult S... 361A		Books			R	1,771.84
11/1/2004	WHS Adult S... 378A		Books			R	318.09
6/3/2005	WHS Adult S... 428A		Books			R	15.00
6/3/2005	WHS Adult S... 430A		Petty Cash/Books	Soc Studies		R	111.01
7/14/2005	WHS Adult S... 446A		Books			R	1,806.33
7/22/2005	WHS Adult S... 453A		Books??			R	73.44
10/6/2005	WHS Adult S... 455A		Books			R	726.87
6/27/2006	WHS Adult S... 695A		Books			R	784.15
7/13/2006	WHS Adult S... 698A		Books			R	1,201.56
9/8/2006	WHS Adult S... 703A		Lost Books			R	453.45
9/13/2006	WHS Adult S...		Dicianni Returned Check & F...			R	-65.50
9/28/2006	WHS Adult S... 710A		Books			R	116.94
5/11/2007	WHS Adult S... 765A		Books	AP Soc. Studies		R	15.00
5/11/2007	WHS Adult S... 767A		Lost Books			R	15.00
6/11/2007	WHS Adult S... 776A		Books			R	1,345.83
6/20/2007	WHS Adult S...		NSF Stephen Mullially + 2.50...			R	-14.50
6/20/2007	WHS Adult S...		NSF Stephen Mullially + 2.50...			R	-22.50
6/21/2007	WHS Adult S... 781A		Books			R	224.25
7/2/2007	WHS Adult S... 789A		Books			R	635.00
5/13/2008	WHS Adult S... 851A		Lost Books			R	20.00
6/12/2008	WHS Adult S... 853A		Books			R	421.00
7/10/2008	WHS Adult S... 870A		Books			R	869.49
7/10/2008	WHS Adult S... 871A		Books			R	114.02

Itemized Categories - All Dates

10/21/1999 through 8/6/2012

8/6/2012

Date	Account	Num	Description	Memo	Tag	Clr	Amount
			SCIENCE CLASS				0.00
			SIGN FUND				0.00
			SOCIAL STUDIES				0.00
			SPANISH CLASS				0.00
			STOMP				-383.75
			TEC ED				0.00
			WHSP0				0.00
			EXPENSES				0.00
			Uncategorized				0.00
			TRANSFERS				0.00
			WHS Adult Checking Account				-1,206,200.00
			WHS Adult Savings Account				1,206,200.00
			OVERALL TOTAL				386.06

TOWN OF WELLESLEY



MASSACHUSETTS

AUDIT COMMITTEE

TOWN HALL • 525 WASHINGTON STREET • WELLESLEY, MA • 02482-5992

RUSTY KELLOGG, CHAIRMAN
MIKE YOUNG, VICE-CHAIRMAN
KATY GIBSON, SECRETARY

ALAN KORPI
ED NELSON

Suzy Littlefield, Chair
Wellesley School Committee
40 Kingsbury Street
Wellesley, MA 02481

September 15, 2011

Dear Suzy,

The final report by Powers & Sullivan on the Review of the School Business Office and Selected Revenue Programs of the Wellesley Public Schools is enclosed. This review by the Town's independent certified public accountants was performed at the request of the Audit Committee, with the support of the School Committee, and funded by a Reserve Fund Transfer from the Advisory Committee. The review was in response to the billings and collections problems with the food service system. Powers & Sullivan were asked to perform a limited review of the systems and controls related to significant revolving or revenue accounts to assure that the accounts did not have problems similar to those encountered with the food service billings and collections.

The Audit Committee and the School Committee held two joint meetings in April and May to determine the scope and procedures of the review. An Internal Control Questionnaire was circulated to 18 program areas that collect significant fees or revenue and the Audit Committee selected six programs for review. The site visits were done by Powers & Sullivan in June, and on June 29th there was an Audit Committee meeting with members of the School Committee to receive a copy of the preliminary findings. On September 6th members of the Audit and School Committees and Powers & Sullivan met with the Superintendent and the School Business Manager to discuss the findings of the review.

Although the report indicates that within the six programs reviewed there were no major system failures similar to the problems with the food service billings and collections, there are several observations and comments indicating insufficient internal control practices and policies. Specifically, the bullet points at the end of the Powers & Sullivan report give examples where important control procedures are not in place.

At our meeting last week we requested that the School Department address the issues raised in the report, and provide the Audit and School Committees a response describing new internal controls in place and steps to reinforce existing control procedures. The School Department expressed concern about being able to respond in less than two months due to other pressing matters associated with the start of the school year, budget preparation and personal availability. The School Department also indicated that there are plans to convert several of these programs to an online payment and collection system and these new systems would have additional controls. We emphasized the urgency of implementing the essential control procedures as soon as possible even if they serve as interim control procedures until the new systems are installed and operational. We hope that the School Committee concurs with our sense of urgency in this matter.

Also, at Annual Town Meeting the School Committee indicated they intend to undertake a broader study of the School Business Office, not only to ensure the proper controls are in place, but to identify ways to do business more effectively and efficiently. At our meeting last week the School Department indicated that they plan to issue a Request for Proposal for this study this fall. The Audit Committee supports the need for this study, and members of the Audit Committee would be available to provide their expertise in preparing the RFP

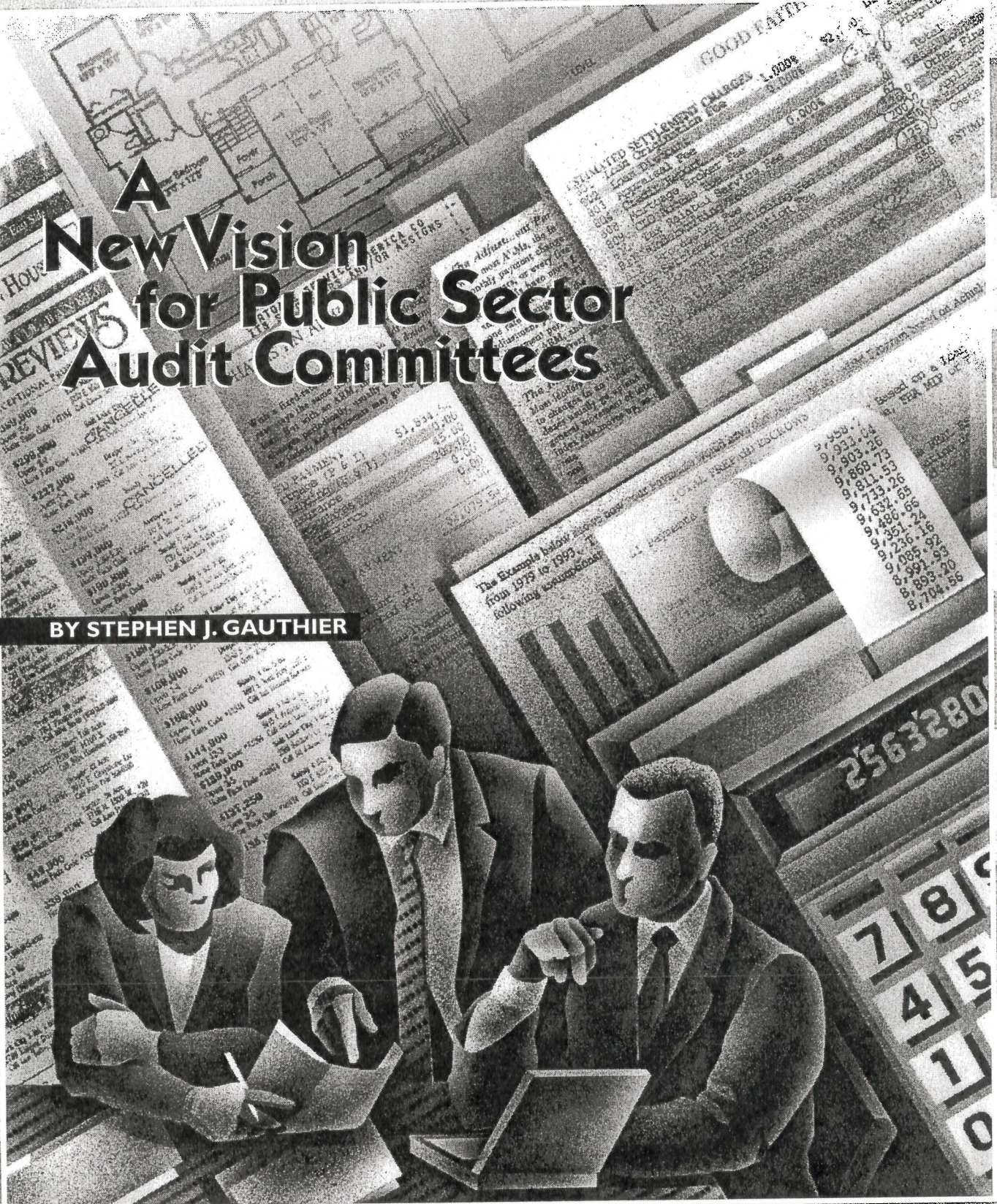
Sincerely,


Rusty Kellogg, Chairman

cc: School Committee
Advisory Committee
Board of Selectmen

A New Vision for Public Sector Audit Committees

BY STEPHEN J. GAUTHIER



The concept of an *audit committee* is hardly new. Examples can be found in both the public and private sectors going back many years. Likewise, a full decade has now passed since the GFOA first offered a recommended practice specifically devoted to the topic. All the same, the audit committee has become the focus of unprecedented attention in the wake of the passage of the Sarbanes-Oxley Act.

The Sarbanes-Oxley Act mandated important changes in the structure and operation of private-sector audit committees. A little more than a year ago, the GFOA Executive Board asked its standing Committee on Accounting, Auditing, and Financial Reporting to examine these developments with a view toward identifying specific private-sector changes from which the public sector might also benefit.

The committee studied the provisions of the Sarbanes-Oxley Act itself, as well as related guidelines promulgated by the Securities and Exchange Commission (i.e., Regulation 33-8220). The committee also considered the recommendations published in 1998 by a joint “blue ribbon” committee of the New York Stock Exchange and the National Association of Securities Dealers under the title *Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees*.

Ultimately, the Committee on Accounting, Auditing, and Financial Reporting came to the conclusion that the GFOA’s earlier recommended practice on audit committees needed to be substantially rewritten to take full advantage of the newest private-sector developments. This much expanded and updated version of the recommended practice was approved by the GFOA’s Executive Board in 2006. This article will examine the new vision of the public-sector audit committee incorporated in the new recommended practice.

THE ROLE OF THE AUDIT COMMITTEE

Financial reporting is a core managerial function. Accordingly, management is *primarily responsible* for financial reporting, including the adequacy of internal control over the financial reporting process. Similarly, it is a core responsibility of any governing body to exercise oversight of management. Therefore, the governing body is *ultimately* responsible for

ensuring that management is, in fact, meeting its internal control and financial reporting responsibilities.

There are at least two practical challenges in the way of a governing body effectively exercising its oversight responsibility for internal control and financial reporting. First, the topic is unlikely to emerge at all on a typical governing body’s “radar screen” unless something actually goes wrong. Second, management may compromise the independence of the financial statement audit (a key component of financial reporting) by inserting itself into the process in a way that impedes regular direct communication between the independent auditors and the governing body.

The audit committee is a practical tool for overcoming both of these potential obstacles. On the one hand, the creation of an audit committee institutionalizes the governing body’s involvement with internal control and financial reporting, thereby ensuring that both topics are periodically addressed by the governing body. On the other hand, it enhances the real independence of the financial statement audit by providing a practical vehicle for ensuring regular, direct communication between the independent auditors and the governing body, *apart from management*.

Audit committee members need not be accountants or auditors, provided they have access to the services of a financial expert.

The governing body of a small government is no less responsible for the quality of its internal control and financial reporting than is the governing body of a much larger government. Moreover, a well-designed audit committee should facilitate the governing body’s performance of its oversight role, thereby reducing, rather than increasing, its burden. Therefore, all governments, regardless of size or circumstance, should have an audit committee.

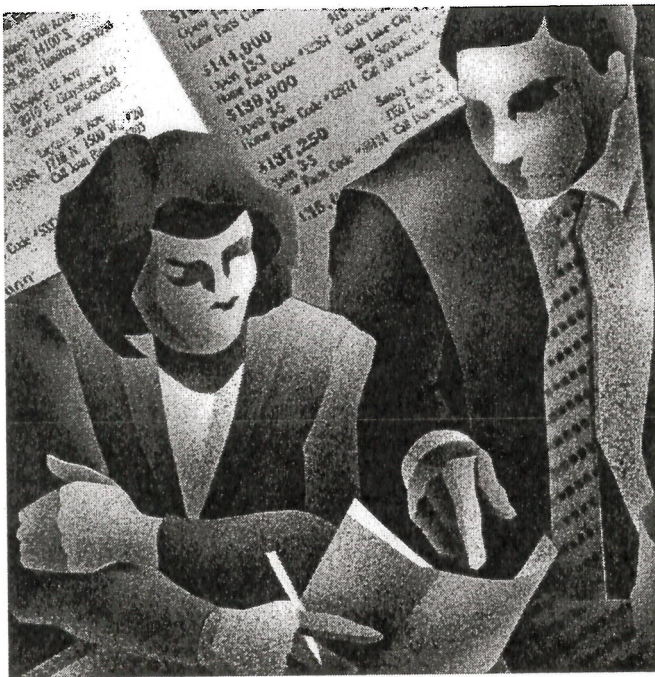
COMMITTEE MEMBERSHIP

Many managers and governing bodies would be delighted were it only possible to “outsource” their responsibility for internal control and financial reporting to someone else. However, it is never possible to transfer or delegate a core responsibility. While others may be able to provide invaluable assistance to management and the governing body in meeting their responsibilities, such third parties can never actually

take their place. For this reason, publicly traded companies are required to draw all of the members of their audit committee from the governing body. The GFOA recommends that state and local governments do the same.

While all members of the audit committee should be drawn from the governing body, not every member of the governing body necessarily would be an appropriate candidate for the audit committee. As explained earlier, one of the basic objectives of the audit committee is to provide a venue for the governing body and the independent auditors to communicate *apart from management*. Consequently, if a member of the governing body also happens to exercise managerial responsibilities that fall within the scope of the financial statement audit, that individual should not serve on the audit committee.

Some have voiced concern that limiting audit committee membership to members of the governing body could prevent the audit committee from effectively performing its assigned tasks for want of technical expertise. The GFOA takes a different view. Just as lawmakers need not be lawyers, provided they have access to expert legal advice, so too, audit committee members need not be accountants or auditors, provided they have access to the services of a financial expert. A basic orientation on the objectives of accounting and auditing should be sufficient to equip new audit committee members for the task at hand.



Federal law requires that at least one of the members of the audit committee of a publicly traded company be a *financial expert*. If no current member of the governing body qualifies, the governing body must be expanded to include an individual who does, so that the necessary financial expertise is provided without violating the rule that all audit committee members need to be drawn from the governing body. In the public sector, of course, it typically is not feasible to expand the governing body to ensure that at least one member is always a financial expert. Instead, it is sufficient that the audit committee have access to a *financial expert*.

The Sarbanes-Oxley Act set specific criteria that must be met to qualify as a financial expert:

- an understanding of generally accepted accounting principles (GAAP) and financial statements,
- experience in the preparation or auditing of the financial statements of comparable entities,
- experience in the application of GAAP in regard to estimates, accruals, and reserves,
- experience with internal control, and
- an understanding of how the audit committee functions.

These criteria apply equally well to a state or local government's audit committee. Governments, however, face a significant additional challenge.

Accounting, auditing, and financial reporting standards for state and local governments differ significantly from those for private-sector entities. To date, the Governmental Accounting Standards Board has issued 49 statements and six interpretations, along with sundry technical bulletins and extensive implementation guides. Together, these amount to a formidable corpus of specialized authoritative standards unique to state and local governments. Furthermore, generally accepted auditing standards (GAAS) often must be applied to state and local governments in conjunction with other authoritative guidelines, especially the Government Accountability Office's *Government Auditing Standards* (commonly known simply as the "Yellow Book") and the federal Single Audit Act (as implemented through the Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and related *Compliance Supplement*). Therefore, it is crucial that a potential financial expert's education and experience be specifically relevant to the government sector.

In addition, all individuals serving on the audit committee need to receive a basic orientation regarding the role of the audit committee and their personal responsibility as members. Even more specifically, they need to be educated on the need for *professional skepticism*, meaning essentially that they should not demand less evidence from someone they know than from someone they do not know.

While an audit committee undoubtedly can profit from fresh perspectives, continuity is at least as important. Therefore, a governing body is well advised to stagger membership terms to ensure that there is always at least one experienced member who can serve as chair.

How many members should an audit committee have? A minimum of three seems necessary to ensure meaningful discussion and deliberation. Conversely, an audit committee probably should not be so large that members could attend without actively participating (or not attend at all). As a rule of thumb then, the committee should be designed with the reasonable expectation that every member would attend and participate at every meeting. If that expectation does not appear reasonable, then the committee is probably too large.

GETTING STARTED

The old axiom “well begun, half done” is nowhere more true than for audit committees. An important first step is to determine the size, terms, and membership of the committee appropriate for the government’s particular circumstances. This determination should then be documented and formally approved (e.g., by charter or enabling resolution).

It also is important to determine, document, and formally approve both the committee’s responsibilities and its authority. Responsibilities should include:

- selecting the independent auditor,
- providing independent oversight and review of all aspects of the financial reporting process, especially internal control and the independent audit of the financial statements,
- reaching its own conclusion whether the financial statements are fairly presented, and
- providing a public report annually on how it has discharged its responsibilities.

There is always the danger that management could circumvent whatever controls it has put into place (hence the

Latin proverb “*quis custodiet custodes?*” = “who will guard the guards?”). Therefore, private-sector audit committees are specifically required to satisfy themselves that appropriate procedures are in place for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters (including provision for the confidential or anonymous submission of concerns). There is no reason that a public-sector audit committee would not wish to do the same.

The audit committee’s authority should encompass:

- having access to sufficient funding to engage the services of financial experts, legal counsel, and other appropriate specialists, as needed,
- having access to the annual work plan and all reports of the internal auditors, and
- having the independent auditor report *directly* to it rather than management.

Some argue that internal auditors, no less than independent auditors, should report directly to the audit committee rather than to management. Others counter that such an arrangement could unintentionally distance managers from direct involvement with internal control, thereby compromising rather than enhancing its effectiveness. This debate has yet to be resolved in either the public or the private sectors. In the interim, internal auditors remain an internal control in their own right; therefore, the audit committee needs, at a minimum, to have access to their annual work plan and audit reports so as to be able to evaluate their effectiveness, even if the internal auditors do *not* report directly to the audit committee.

It is only to be expected that an audit committee, over time, will become aware of ways that its own policies and procedures could be made more effective. The audit committee should bear this in mind each year as it performs its duties and should communicate proposed changes to the full governing body. Also, at a minimum, the audit committee should assess its own overall effectiveness no less than once every five years.

KEY TASKS

As already explained, the audit committee is responsible for providing independent oversight and review of a government’s entire financial reporting process, including both internal control and the independent audit. In meeting this responsibility, the audit committee must complete a number of specific tasks:

RECOMMENDED PRACTICE

Audit Committees (1997, 2002, and 2006) (CAAFR)

Background. Three main groups are responsible for the quality of financial reporting: the governing body,¹ financial management, and the independent auditors. Of these three, the governing body must be seen as "first among equals" because of its unique position as the ultimate monitor of the financial reporting process.² An audit committee is a practical means for a governing body to provide much needed independent review and oversight of the government's financial reporting processes, internal controls, and independent auditors. An audit committee also provides a forum separate from management in which auditors and other interested parties can candidly discuss concerns. By effectively carrying out its functions and responsibilities, an audit committee helps to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management's practices, and that the independent auditors, through their own review, objectively assess the government's financial reporting practices.³

Recommendation. The Government Finance Officers Association (GFOA) makes the following recommendations regarding the establishment of audit committees by state and local governments:

- The governing body⁴ of every state and local government should establish an audit committee or its equivalent;
 - The audit committee should be formally established by charter, enabling resolution, or other appropriate legal means and made directly responsible⁵ for the appointment, compensation, retention, and oversight of the work of any independent accountants engaged for the purpose of preparing or issuing an independent audit report or performing other independent audit, review, or attest services.⁶ Likewise, the audit committee should be established in such a manner that all accountants thus engaged report directly to the audit committee. The written documentation establishing the audit committee should pre-
- scribe the scope of the committee's responsibilities, as well as its structure, processes, and membership requirements. The audit committee should itself periodically review such documentation, no less than once every five years, to assess its continued adequacy.⁷
- Ideally, all members of the audit committee should possess or obtain a basic understanding of governmental financial reporting and auditing.⁸ The audit committee also should have access to the services of at least one financial expert, either a committee member or an outside party engaged by the committee for this purpose. Such a financial expert should through both education and experience, and in a manner specifically relevant to the government sector, possess 1) an understanding of generally accepted accounting principles and financial statements; 2) experience in preparing or auditing financial statements of comparable entities; 3) experience in applying such principles in connection with the accounting for estimates, accruals, and reserves; 4) experience with internal accounting controls; and 5) an understanding of audit committee functions.⁹
 - All members of the audit committee should be members of the governing body. To ensure the committee's independence and effectiveness, no governing body member who exercises managerial responsibilities that fall within the scope of the audit should serve as a member of the audit committee;
 - An audit committee should have sufficient members for meaningful discussion and deliberation, but not so many as to impede its efficient operation. As a general rule, the minimum membership of the committee should be no fewer than three.¹⁰
 - Members of the audit committee should be educated regarding both the role of the audit committee and their personal responsibility as members, including their duty to exercise an appropriate degree of professional skepticism;
 - It is the responsibility of the audit committee to provide independent review and oversight of a government's finan-

cial reporting processes, internal controls, and independent auditors;¹¹

- The audit committee should have access to the reports of internal auditors, as well as access to annual internal audit work plans;
- The audit committee should present annually to the full governing body a written report of how it has discharged its duties and met its responsibilities. It is further recommended that this report be made public and be accompanied by the audit committee's charter or other establishing documentation;
- The audit committee should establish procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters. Such procedures should specifically provide for the confidential, anonymous submission by employees of the government of concerns regarding questionable accounting or auditing matters;¹²
- The audit committee should be adequately funded and should be authorized to engage the services of financial experts, legal counsel, and other appropriate specialists, as necessary to fulfill its responsibilities;¹³ and
- In its report to the governing body, the audit committee should specifically state that it has discussed the financial statements with management, with the independent auditors in private,¹⁴ and privately among committee members,¹⁵ and believes that they are fairly presented, to the extent such a determination can be made solely on the basis of such conversations.

Approved by the GFOA's Executive Board, February 24, 2006.

Notes

1. For the purposes of this recommended practice, the term 'governing body' should be understood to include any other elected officials (e.g., county auditor, city controller) with legal responsibility for overseeing financial reporting, internal control, and auditing, provided they do not

exercise managerial responsibilities within the scope of the audit. The term "governing body" also is intended to encompass appointed bodies such as pension boards.

2. *Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees*, "Overview and Recommendations."
3. Securities and Exchange Commission (SEC) Regulation 33-8220, "Background and Overview of the New Rule and Amendments."
4. For the purposes of this recommended practice, the term 'governing body' should be understood to include any other elected officials (e.g., county auditor, city controller) with legal responsibility for overseeing financial reporting, internal control, and auditing, provided they do not exercise managerial responsibilities within the scope of the audit. The term "governing body" also is intended to encompass appointed bodies such as pension boards.
5. Nothing in this recommended practice should be interpreted so as to limit the full governing body from exercising ultimate authority.
6. Sarbanes Oxley Act, Section 301.
7. *Report and Recommendations of the Blue Ribbon committee on Improving the effectiveness of Corporate Audit Committees*, Recommendation 4.
8. *Report and Recommendations of the Blue Ribbon committee on Improving the effectiveness of Corporate Audit Committees*, Recommendation 3. Continuity typically is a positive factor⁴ in achieving this goal; a fact that should be kept in mind when considering the appropriate length of service for audit committee members.
9. Sarbanes Oxley Act, Section 407.
10. In certain limited instances, as noted later, the audit committee will need to meet privately to achieve its goals. If the audit committee constitutes a majority of the governing body, such private meetings may be hampered by "sunshine" laws and similar "open meetings" legislation.
11. SEC Regulation 330-8220, "Background and Overview."
12. Sarbanes Oxley Act, Section 301.
13. Nothing in this recommended practice should be interpreted so as to limit the full governing body from exercising ultimate authority.
14. It is important that the audit committee be able to meet privately with the independent auditors, as needed, to ensure a full and candid discussion. Governments are urged to amend "sunshine" laws and similar "open meetings" legislation to permit such encounters in these limited circumstances.
15. It is important that audit committee members be able to meet privately among themselves, as needed, to ensure a full and candid discussion. Governments are urged to amend "sunshine" laws and similar "open meetings" legislation to permit such an encounter in these limited circumstances.


- determine the appropriate scope of the independent audit,
- determine the appropriate scope of “nonaudit” (i.e., consulting) services to be performed by the independent auditor,
- manage the audit procurement process,
- select the independent auditor,
- review the financial statements,
- review the independent auditor’s report on the financial statements,
- follow up on corrective action undertaken as a result of the independent audit,
- review the government’s comprehensive framework of internal control,
- assess the performance of the independent auditors, and
- provide an independent forum for internal auditors to report findings of management abuse or circumvention of controls.

Typically, performing these tasks can be expected to require at least quarterly meetings.

One of the principal objectives of the audit committee is to provide for direct ongoing contact between the governing body (represented by the audit committee) and the independent auditors, *apart from management*. Therefore, the legal establishment of the audit committee should specifically allow the audit committee to meet privately with the independent auditors. Likewise, the audit committee also should be able to meet privately with management to assess auditor performance. In addition, the audit committee should be able to deliberate privately to arrive at its overall conclusions for each year’s report.

At first, the entire notion of private meetings might seem to fly in the face of “sunshine” or “open meetings” laws. However, such legislation routinely provides exceptions for certain specified situations (e.g., discussion of pending litigation with the city attorney and discussion of personnel issues). Therefore, it is recommended that governments take steps to provide for a similar exception to allow for limited private meetings, as just described, in conjunction with the audit committee’s work. |

STEPHEN J. GAUTHIER is director of the GFOA’s Technical Services Center.

 Government Finance Officers Association

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BOARD OF SELECTMEN

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December 13, 2011

Melanson & Heath
10 New England Business Center, Suite 107
Andover, MA 01810

RE: Response to Letter to Management regarding the financial statements
and independent audit of the Town of Wayland, Massachusetts
for Fiscal Year Ended June 30, 2011

We are pleased to provide a statement of progress made and continuing efforts to conform to the current year recommendations offered by your firm.

1. Establish Additional Receivable Accounts in the General Ledger

The Town has established additional receivable accounts in the Accountant's general ledger for ambulance, water lien, and betterment billing and collection. The billing and collection of police outside detail fees will be separated by transferring the collection function to the Treasurer's office once an additional MUNIS financial system module is added in FY2012 to strengthen control over these transactions. This procedure will replace the Excel spreadsheet record-keeping system within the Police Department.

2. Expand Trust Fund Accounting

The recommendation is to create separate *funds* rather than simply segregating into separate *accounts* monies set aside for stabilization, insurance reserves, OPEB liabilities, cemetery perpetual care, and various trust funds within the MUNIS financial management system. The Town is in the process of implementing this recommendation. In addition, the Treasurer is researching the trust fund documents to confirm expendable and non-expendable portions of each of the individual trust funds.

3. Post Revenue Budgets in the General Ledger

The Town has posted budgeted revenues to the general ledger to monitor actual revenues compared to budget throughout the fiscal year beginning with FY2012.

4. Improve Capital Projects Funds Year-End Cut-Off Procedures

The Town has implemented a purchase order system for capital projects accounts. The Finance Director and Town Administrator will reinforce the requirement with all departments to submit any significant invoices for capital projects prior to the final warrant. This directive is comparable to and consistent with the directive for general ledger expenditures.

Melanson & Heath
December 13, 2011
Page 2

Thank you for your comprehensive and informative presentation on December 5. We appreciate your comments and recommendations to assist us in reaching our goal of continuously improving financial reporting and municipal operations.

Respectfully submitted,

FOR THE BOARD OF SELECTMEN

A handwritten signature in black ink, appearing to read "Frederic E. Turkington, Jr.", written in a cursive style.

Frederic E. Turkington, Jr.
Town Administrator

c: Finance Committee
Michael DiPietro, Finance Director

TOWN OF WAYLAND, MASSACHUSETTS

Management Letter

For the Year Ended June 30, 2011

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To the Board of Selectmen
Town of Wayland, Massachusetts

In planning and performing our audit of the financial statements of the Town of Wayland, Massachusetts as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Wayland's internal accounting control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management's override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a deficiency (comment 2) in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Additional Offices:

Greenfield, MA • Ellsworth, ME • Nashua, NH • Manchester, NH

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we also became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning those matters.

This communication is intended solely for the information and use of management, Board of Selectmen, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

After you have had an opportunity to consider our comments and recommendations, we would be pleased to discuss them with you.

Melanson, Heath + Company P.C.

Andover, Massachusetts

November 22, 2011

CURRENT YEAR RECOMMENDATIONS:

1. ESTABLISH ADDITIONAL RECEIVABLE ACCOUNTS IN THE GENERAL LEDGER

The Town bills and collects for various activities that are not accounted for in the general ledger. As a result, a lack of segregation of duties exists as one department handles all aspects of these transactions. The activities that we identified where this internal control deficiency exist are: ambulance, police outside detail, water liens, and sewer and street betterments.

We recommend that the Town establish additional receivable accounts in the Accountant's general ledger in order to provide the necessary oversight of these activities. Specifically; ambulance, water lien, and betterment billing and collection activity should be provided to the Accountant for recording in the general ledger. We also recommend that the Town separate the billing and collections function of police outside details by transferring the collection function to the Treasurer's office. Implementation of these recommendations will strengthen controls over these transactions and reduce the risk of error and irregularities occurring and not being detected on a timely basis.

2. EXPAND TRUST FUND ACCOUNTING

During our audit of the Town's trust funds, we noted that the general ledger maintains only one fund for all trust fund types. As a result, the general ledger does not segregate the various types of funds (i.e. other Post-Employment Benefits, Stabilization, or Insurance Reserves). We also noted that the permanent funds are not segregated into expendable and non-expendable portions. We consider this issue to be a significant deficiency, as defined at the top of page 2.

We recommend that the Town expand trust fund reporting to include separate funds for other Post-Employment Benefits, Stabilization, or Insurance Reserves. We further recommend that the Town expand Permanent funds between the expendable and non-expendable portions. Recently the Town reviewed the cemetery perpetual care activities over the last three years and segregated the non-spendable portion. We recommend the Town continue this analysis beyond three years. This will result in compliance with generally

accepted accounting principles and will improve accountability over expendable and non-expendable portions of trusts.

3. POST REVENUE BUDGETS IN THE GENERAL LEDGER

Budgeted revenues for fiscal year 2011 were not posted to the general ledger, and, as a result, the Town was unable to use the ledger to monitor actual revenues compared with the budget throughout the year. Management does monitor collections, however, by preparing several spreadsheets.

We recommend that the Town incorporate budgeted revenue amounts in the general ledger in order to utilize the automatic variance analysis function. This will provide for a more efficient process to analyze monthly revenues and to identify unexpected trends and variances. It is our understanding that the revenue budgets were entered into the general ledger for fiscal year 2012.

4. IMPROVE CAPITAL PROJECT FUND YEAR-END CUT-OFF PROCEDURES

Generally accepted accounting principles require that all expenditures be charged to the fiscal year in which the transactions occur. In our testing of year-end invoice processing, we found certain capital project invoices for services provided in fiscal year 2011 that were charged to fiscal year 2012. As a result, liabilities and expenditures for the capital project funds (non-general fund) were understated.

We recommend that the Town apply the same year-end cut-off procedures as used for general fund expenditures to all other funds to ensure that all expenditures are charged to the appropriate fiscal year. This will result in more accurate reporting of liabilities, expenditures and related fund balances and capital assets.