

**Minutes
Town of Wayland
Audit Committee**

Date: December 9, 2013

Time of meeting: 7:00pm

Place of meeting: Wayland Town Building, Large Meeting Room

Members Present: Paul Brennan, Gordon Cliff, Chris Cullen, Ben Downs, Chris Riley

- Meeting called to order by Chair at 7:04pm.
- Paul Brennan assigned as minute taker.
- Public comment:
Don Bustin graciously agreed to defer his comments until later in the agenda, so as to allow the Town's independent auditor to participate and then depart the meeting.
- Scott McIntire of Melanson reviewed several areas where the draft FY 2013 Financial Statements had been updated.
 - Edits were made to achieve internal consistency to the document and to correct errors/typos noted in the prior draft.
 - Footnotes were expanded in several areas to achieve greater readability and to provide year to year comparison.
 - Scott noted that he is awaiting a representation from Town Counsel with respect to 20 Wayland and this would possibly require an amendment to the Commitments and Contingencies footnote.
 - Clarification was provided to the Committee in several areas: with respect to the "60 day rule" whereby certain revenues received in the first 60 days subsequent to year end may be accrued into FY 2013; with respect to certain OPEB definitions; and affirming that current OPEB funding by the Town relates solely to current and retired Town employees, not future employees.

- Scott moved on to the FY 2013 Management Letter
 - For ML comments 1 & 2, it was requested that the auditors provide examples of best practices (Risk Assessment Process and Formalization of Fund Balance Policy) and that those examples be delivered directly to the AC; Scott committed to do this and cited Andover as a town with representative documents which could be helpful.
 - For ML comments 3 & 4, it was noted that the Powers & Sullivan report comments were largely incorporated by reference into the Melanson Heath report. Scott acknowledged this and suggested that due to the breadth and depth of those comments, it would be advisable to segment the necessary corrective actions into those needing immediate action and those which might be time phased.
 - It was noted that the school administration in an earlier SC meeting had committed to taking action on all of the comments arising in both auditor reports. It was further noted that the SC intends to invite Scott to a subsequent meeting to review his ML with them.
 - With respect to ML comment 6, it was questioned as to the severity of the issue of control over school disbursements. Scott indicated that it was not his intent to be alarmist in the comment, and that it would be reasonable if corrective action was effected by the end of the first quarter of calendar 2014.
- There ensued a discussion of the finalization of the Financial Statements and need to review same with the BOS. After further discussion it was then moved to accept and approve the Financial Statements as presented in draft, subject to Scott informing the Committee of any material changes and delivering to the AC the final documents. Approved 5-0.
- At 7:38 Scott McIntire departed the meeting.
- Re the need for a Town employee to support the AC, particularly with respect to the RFP for the appointment of an auditor:

- In light of requirements of state procurement law, it was concluded that the expertise of the acting Town Administrator is needed to accomplish this RFP and for other similar needs of the AC (i.e. to respond to Management Letter comments in parallel with the Superintendent for school related items).
 - It was concluded that the AC should not be in a position to reach out within the Town to multiple parties to accomplish its business, and that the acting TA should be the focal point for interaction with the AC on any of its business items.
 - It was concluded that the Chair would contact the acting TA to clarify the need for advancing the independent auditor RFP since the Melanson Heath contract concludes with the 2013 audit. It was also concluded for the record that the AC believes it is necessary for the auditor appointment for FY 2014 and beyond be subject to the RFP process.
- There was a discussion of whether the AC should have a contributing role in the performance review of the Finance Director or other Town employees.
 - It was recommended and agreed that it would be helpful to invite a member of the Personnel Board to a subsequent AC meeting to provide guidance on whether and how our involvement might be implemented. The AC Chair will reach out to John Senchyshyn for guidance on this.
 - There was a discussion of how the AC should communicate with other Town committees on audit related issues.
 - The committee discussed past practice and the roles of individual AC members based on their having been appointed to the AC by either the SC, BOS or FC.
 - It was concluded that Paul Brennan serve as primary liaison to the SC, Gordon Cliff in similar role to the FC, and that other needed communication would be handled on an ad hoc basis by the members appointed by the BOS. In each case, the AC Chair will be kept informed of any member's activity.

- There was a discussion of whether and how the AC responsibilities might be expanded, including comments received on this topic through prior citizen communication. At this point Don Bustin was invited to join the discussion, and the meeting was opened for his and other Public Comment.
 - Don Bustin provided the committee his views and opinions on the AC's role and potential expansion of activities.

- There being no other Public Comment, the committee then returned to its discussion of AC role and responsibilities.
 - A lengthy discussion ensued, with mention of earlier Town votes re the AC role; the possible need for an internal audit capacity within the Town; and whether it would be feasible for existing finance staff to also find time for effective internal audit reviews of critical areas. It was also stated that the AC should have an effective means for follow up to corrective actions being taken in response to ML comments.
 - It was concluded that immediately subsequent to the approval of the financial statements and management letter by the BOS, the AC should invite the interim TA to an AC meeting for a status report on ML corrective actions.
 - It was concluded that the above status review should serve as a basis for updating the BOS, and that such updates would more appropriately be given quarterly rather than just annually. To this end, the AC will add to its agenda for its next meeting, the specific wording to amend the AC roles and responsibilities and then present this to a subsequent BOS meeting.
 - The need for an annual schedule of targeted dates for accomplishment of audit related goals was discussed. The Chair offered to draft for discussion a proposed calendar for review at a subsequent AC meeting.
 - Lastly, as a recap of the broader discussion re the need for an internal audit function, the committee agreed that the Melanson ML would be an appropriate starting point for any subsequent evaluation of that need.

- Minutes of the AC meeting of 11/12/13 were reviewed and with minor amendments were approved 4-0 with 1 abstention (member not present for that meeting).
- Motion to adjourn at 9:10pm. Approved 5-0.