

Minutes June 23, 2014  
Town of Wayland  
Audit Committee

Date: June 23, 2014

Time: 6:00 pm

Place: Wayland Town Building

Members Present - Paul Brennan, Chris Cullen, Chris Riley and Gordon Cliff

6:01 pm - Chair Chris Cullen called the meeting to order

6:01 pm - Paul Brennan assigned as minute taker

6:02 pm - Public comment: No public comment.

6:02 pm - Discussion topics

1. Follow up on Melanson Heath management letter for FY13 to assess status of management responses and corrective actions taken to date; in attendance for this portion were Bob Mercier, John Senchyshyn, Brian Keveny, Geoff MacDonald and Paul Keating.
  - Bob Mercier led off the discussion saying that they wished to review the seven points raised in the ML, characterizing them as not material weaknesses but nonetheless worthy of being addressed; he noted that some of the comments were “somewhat dated” and corrective action had been implemented last year; he also noted that, in retrospect, management might have pushed back to the auditors on some comments but they had chosen not to do so.
  - Gordon noted that the ML points had been capsulized rather than presented in full text as written; he asked that going forward, management present the entire auditor comment; he also noted that he could not as yet find the FY '13 ML on the Town website.
  - Chris Riley requested from management a firm date on which they might return to the AC and say that all corrective action had been completed; Bob responded that in some instances it is difficult to achieve buy-in from the various Town committees and management groups related to a policy subject to the ML comment; Chris responded that for those that are clearly in the domain of management, a firm date is appropriate and needed; after further discussion Chris suggested that he believes it appropriate that management come back to the AC with firm dates in the “next couple of weeks”, and Bob agreed that such is a “good recommendation”.
  - Bob initiated a point by point review of the ML items; he noted that there exists a draft Risk Assessment Policy, having received input from all

departments; Bob indicated that the completion target for that document is end of October; Bob/John committed to get a current draft of that document to the AC (through CC); John indicated that the Town of Essex was used as a template.

- Bob next raised the topic of the audit comment re formalizing a fund balance policy; after some discussion of the “complexity” of implementation, Chris Cullen indicated that this is the third year with the audit comment appearing and Gordon suggested that after two prior years of accepting the comment, it should not now be dismissed as not relevant to Wayland; discussion ensued re other comments, many of which have been resolved/corrected; returning to the fund balance issue, Brian indicated that several involve various Town committees and some requiring Town Meeting approval; Chris Riley recommended that Management needed to work the issues through with each committee and seek resolution, even if clear consensus could not be reached.
- Re audit comments 3, 4 and 6, Geoff MacDonald said that for item 3 (segregation of duties) a ten hour position had been filled in May; for item 4 re unauthorized bank accounts, accounts have been closed; for item 6 regarding improving controls over school disbursements, Geoff indicated that a special report had been reviewed with the SC re status back in February and an update was scheduled for this evening (6/23 SC mtg); he went on to say that the first ~ 1/3 of comments related to Student Activity Accounts, and that he expected updated guidelines for corrective action to be completed by September; the second 1/3 of comments re outstanding balances of WSCP activities had been addressed, with balances now resolved and largely closed to the OPEB liability; for other activities within the WSCP area Geoff reported that the SC has ongoing discussions re adjusting fee structures so as to preclude the accumulation of significant balances.
- Chris Cullen queried Geoff re his replacement and Geoff indicated that Susan Bottan had been identified and her offer would be discussed and voted upon by the SC this evening; she has significant Business Administrator experience in Lexington and Marlboro.
- Paul asked Geoff if the reporting spreadsheet had been updated and he said it had been for the 6/9 meeting and that he would provide a copy of that to Chris Cullen.
- Chris Riley returned to the open bank account topic and asked Geoff if he was completely comfortable that all accounts were in fact closed; Geoff affirmed that most had been closed in '11 and with a few remaining closed in '12; Paul Keating offered that confirming letters had been provided to the banks through Melanson and that only those that were authorized were disclosed by the banks.
- Geoff returned to the topic of proper processing and approval of invoices and supporting documentation; he reported that in a much broader sample his review had significantly better results than the auditors; Gordon raised the question of whether the AC should have access to that documentation; a discussion ensued re how much detail the AC should

review to gain comfort that the responses to auditor comments had validity; the conclusion was that Geoff will provide the spreadsheet summarizing the results of the larger sample to Chris Cullen; {at this point Bob Mercier exited}

- Moving back to MH comment 5 (strengthening receipts control and internal audits ), Paul Keating indicated that MH had not discussed the comment with him and that corrective action had been taken “2 years earlier” on receipts control; regarding the IA aspect, Chris Riley inquired re whether a person had been hired and brought up to speed on doing these tasks; Brian indicated that they need to go through collective bargaining and the personnel board to get this issue resolved; he said that John is actively working the issue; re audit programs to be used, Brian said that MH is providing municipality tailored audit programs.
- On the topic of enhanced cash flow reporting (MH comment 7), Brian and Paul Keating (supported by John and Bob) are moving to quarterly reporting as a driver for better cash visibility; this per Brian needs to include quarterly capital reporting.

## 2. Discussion of FY14 audit RFP and possibility of CAFR for 2015

- Brian committed to resend the current RFP draft to Chair Cullen; Brian suggested the RFP be issued in early August for responses in September and for firm interviews in October; Brian indicated that the RFP requests separate quotes for basic statements and for CAFR; RFP to be discussed at next AC meeting.

## 3. Update on current year audit plan and progress

- Brian expects to close the general ledger on August 8<sup>th</sup>, with audit work commencing on Sept 8<sup>th</sup> and expects draft management letter and financials “well before Halloween”; the pre-audit work was completed in May; new for this audit is a fixed asset software package (Intuit) which ML had recommended; Brian once again committed to get the financials posted to the Town website. {Geoff MacDonald exited the meeting}.
- Gordon raised the question of what representation the AC was prepared to make this evening to the BOS re the ML; he added that he was not yet comfortable making representations of being signed off on the ML without closing the loop with Scott McIntire; Chris Riley suggested that Chair Cullen reach out to Scott to get his input, since review of the prior year ML would have been part of his pre-audit; with that step done, the AC would then be in a position at a later date to conclude to the BOS.
- Brian indicated that for FY'15 he would present the entire ML comment in the document, followed by the entirety of the management response;
- Paul asked Brian whether CAFR would have any major impact on his office being able to prepare required documentation; he indicated that he thought it would not be an issue.
- Chair Cullen asked Paul Keating if he felt he had been included enough in the audit process; Paul said that he was not generally included and most of

the effort fell to Brian and his office; {Paul Keating and Brian Keveney exited the meeting}.

7:14 pm – With no public in attendance, the Committee decided to continue with the remaining agenda items for tonight's meeting, so as to shorten the time required to finish post the BOS meeting.

7:15 pm – Chris Riley moved to accept the minutes of the April 28<sup>th</sup> meeting (as amended); motion seconded by Gordon and approved 4-0.

7:17 pm – Next meeting agenda items

1. Include proposed language for expansion of AC role (5<sup>th</sup> item on Duties and Responsibilities); invite Tony Boschetto.
2. AC comments on RFP to TA and Brian.
3. Status of ML '13 and preparation of statement to BOS re that status (including any remaining open items); Chris Riley expressed his view that in the fall we should bring the same management group before the AC to review any incomplete items (based on our update on July 21<sup>st</sup> meeting of AC) and to use that discussion to finish off the FY'13 ML; he also said that discussion should provide the information to go to the BOS and give them clear status and timelines of any open items; he emphasized the need to reach consensus and conclusion on certain items, highlighting the fund balance policy as an example; he also highlighted the criticality of setting deadlines for any open items; it was concluded that the outcome of our next two meetings would be a memo from the AC to the BOS to include open ML items, our comments on draft risk assessment policy, update on school spreadsheet re controls (MH and Powers letters).
4. July 21<sup>st</sup> selected for next AC meeting; inviting Tony B., Scott or his rep, and TA

7:54 pm – AC meeting breaks for our participation with BOS

9:24 pm – AC reconvenes, no public in attendance, and votes to adjourn 4-0