

Town of Wellesley, Massachusetts  
Audit Committee  
Minutes of Meeting held at 4:00 pm, September 10, 2018  
Wellesley Town Hall, Juliani Room

In attendance: Audit Committee (AC) members Laura Ann McDonnell (Chair), Peter Cory (Secretary), Colette Aufranc, Phil Laughlin, and Stephen St. Thomas; also present were Sheryl Strother (Finance Director, Town of Wellesley); Jeff Levitan, Advisory Committee liaison; and Renee Davis (Partner), Kyle Warne (Manager), and James Powers (Partner) of Powers & Sullivan (P&S), the Town's auditors.

Ms. McDonnell called the meeting to order at 4:08 p.m., opened the Citizen Speak portion of the meeting, and noted that there was no one present to speak. She then introduced Ms. Aufranc, who was recently appointed to the Committee. Ms. McDonnell then moved on to review the Minutes of the Audit Committee's meeting of May 7, 2018, which had been circulated previously; these were approved unanimously.

Ms. McDonnell then turned the discussion to the Financial Statements for the Wellesley Municipal Light Plant (in draft form) for the years ended June 30, 2018 and 2017, also previously circulated. Mr. St. Thomas questioned why MLP management representatives were not present, and why the document was still in draft, rather than completed, form. A discussion involving Committee members, Ms. Strother, and Ms. Davis ensued, covering the timing of P&S field work, the impact of GASB 74 and 75 on the reporting of OPEB liabilities, the timeliness of Siegel's reports on OPEB and the retirement plan (which actually came in noticeably earlier than previous years), and MLP management attendance at AC meetings. The AC briefly reviewed the draft financial statements, with Mr. Powers addressing transmission and forward capacity market charges, which are currently subject to litigation. The AC then agreed to defer further discussion and a vote on the MLP reports until the next meeting.

Ms. McDonnell then turned to discussion of the Financial Statements of the Wellesley Contributory Retirement System. Mr. Powers reviewed PERAC and GAAP accounting systems and disclosures and reporting formats; Ms. Davis reviewed the P&S audit procedures and reported that there was "no finding" by P&S's audit, that it was P&S's opinion that the statements present the WCRS's financial position fairly. Mr. Laughlin asked about actuarial smoothing of plan liabilities; Mr. Cory asked about the future impact of new union contracts on health benefits and OPEB funding requirements; Mr. St. Thomas asked about the levels of WCRB expenses and fees paid; Mr. Laughlin asked if any cases of disability fraud had been uncovered within the system. Ms. Strother and Ms. Davis noted that testing and review was ongoing and thorough, and no outright cases of fraud had been identified, though some claims had been successfully challenged. Subject to final review by the WCRB at the end of September, and correction of several small items, the Committee voted unanimously to approve the P&S report on the Retirement Plan's Financial Statements.

Ms. McDonnell then turned to the next agenda item, assessment of cyber/information security risks in the town government departments and the public schools, and particularly potential vulnerabilities to cyber ransom, etc. Ms. Davis had met with Brian DuPont, Director of IT for the town, and provided a favourable review of the employee training, systems testing, and scenario analysis conducted by the department. Discussion then moved to whether the Town should nonetheless bring in outside experts for a review (recommended by Mr. Powers); the features of the Town's cyber liability protection insurance; and the option of undertaking a similar review of the WPS schools IT systems, and the more fundamental question of why the Town should be working with two separate IT departments, a topic better addressed by the Advisory Committee. The Committee agreed that the issue of cyber security should be raised by the Audit Committee during its meeting with the Town's Board of Selectmen on Dec. 10.

Ms. McDonnell then asked the P&S team for an update on the status of the audit, including the FY18 CAFR; Ms. Davis noted that CAFR data was being populated and the testing of budgetary and reporting controls well underway. She suggested that written policies on money collection and deposits should be more formalized, and processes more automated across the board, reducing cash and check management issues. The discussion then moved to the Single Audit associated with Federal Grants; Ms. Davis noted that P&S had treated the Town as a new client and undertaken a thorough review ("blanket confirmation") of all bank accounts to see if any were unknown, unrecognized, or "renegade" in any way. Mr. St. Thomas asked P&S how they would respond to pressure from any area within the town to avoid looking into specific areas; Mr. Laughlin asked about how fraudulent claims for overtime payment in specific town departments might be detected, and what the respective roles of management and the auditors in

oversight of this. Mr. Powers noted that from the perspective of risk assessment and validity of the financials this was probably not a major issue; Mr. St. Thomas noted that the BOS could request a special purpose audit at any time.

The Committee then discussed several matters initially raised in previous meetings, including the Commonwealth's Open Meeting Laws, and the role and specific circumstances of Executive Sessions. Discussion then turned to the Other Business, including the Roselli, Clark review of compliance procedures for Student Activities Funds and other accounts in the WPS, and management responses. While the risk of lost or misappropriated funds has been dramatically reduced, there continued to be issues and policy violations that need to be addressed, such as the timeliness of completion of forms, and of turning monies over to the Treasurer's office. The WPS Business Office will be expected to address these matters during its next meeting with the Committee; P&S indicated that they will evaluate this issue further in its report.

The Committee reviewed dates for the next meeting with Powers & Sullivan, and agreed on Tuesday, October 23 at 4:00 pm, in the Juliani Room at Wellesley Town Hall.

Ms. McDonnell then entertained a motion to adjourn the meeting at 6:25 p.m., which was approved unanimously.

*Submitted by Peter Cory, Secretary*