

Town of Wellesley, Massachusetts
Audit Committee
Minutes of Meeting held at 4:00 pm, October 23, 2018
Wellesley Town Hall

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); Renee Davis (Partner), Kyle Warne (Manager) of Powers & Sullivan; and for portions of the meeting, from the Municipal Light Plant, Richard Joyce (Director) and Debra Healy (Assistant Director); from Wellesley Public Schools, Cynthia Mahr (Assistant Superintendent, Finance and Operations); and Mark Waldman, Treasurer, Town of Wellesley.

Ms. McDonnell called the meeting to order, opened the Citizen Speak portion of the meeting, and noted that there were no citizens present. Ms. McDonnell then asked Audit Committee members if there were any comments on the previously-circulated, revised Minutes of the September 10, 2018 meeting of the Audit Committee. There were none, and a motion to approve the Minutes was approved unanimously.

Ms. McDonnell next asked Ms. Davis to comment on the Auditor's report on the Financial Statements of the Wellesley MLP; P&S provided a clean opinion on these financials. Further discussion, involving also Mr. Joyce and Ms. Healy, focused on the Salem Harbour power plant and its impact on FMC costs, and Wellesley's participation in the complaint filed with FERC. Mr. St. Thomas asked about rising utility rates and MLP's annual dividend to the Town. Ms. McDonnell asked about the letter of intent from Wellesley College to change the College's status to an "all requirements" customer and it was agreed that a comment should be included, perhaps in a footnote, in the Management's Discussion and Analysis section. The Committee then voted unanimously to approve the audited financial statements, pending this item and several minor changes reviewed by Ms. McDonnell and Ms. Davis.

Ms. McDonnell next asked Ms. Davis to review P&S's Management Letter outlining prior-period and current-period comments and recommendations. Of the three prior-year findings, the timing of delivery of actuarial reports on the Pension and OPEB funds (prepared by Segal), and the implementation of accounting and reporting requirements of GASB Statement #75, have both been resolved. On the other hand, Documentation of Internal Controls under the "Uniform Guidance" for Federal Awards within the COSO Framework, primarily an issue for WPS, is still in process. Ms. Davis noted that while WPS has systems in place, proper documentation was needed, and it was important to review why this had not been completed. Ms. Mahr is quite new to WPS, as are other business office staff members; the number of schools in the Wellesley system and the need for complete documentation of all business procedures following the recent Roselli, Clark review and findings on Student Activity Accounts was also noted. Ms. Aufranc asked if WPS was an outlier on this issue; Ms. Davis noted that it was not. Ms. Mahr has experience with implementing this requirement within the Weston PS system, and suggested that three months was a good target date for completion and that the timetable for completion be included in the Management Letter Comment responses. Mr. St. Thomas suggested that the Audit Committee include this issue in its meeting with the BOS in December, to include a status update from Ms. Mahr at the time; all AC members concurred.

Ms. Davis then turned to P&S's current-period comments and recommendations. While P&S found no material weaknesses or significant deficiencies in the audit, they did take a "fresh look" at the Town's cash handling procedures and policies among Town departments in general, and within the Treasurer's/Collector's Office in more detail. Ms. Davis noted that the Town does not have a formal, written cash handling policy in place for Town departments, and recommended that one be adopted, to cover the collection, storage, and turnover of cash receipts. Ms. Davis also noted that P&S recommended that a vault or safe be installed for holding overnight cash, and a secure deposit window for the Collector's/Treasurer's office be incorporated into the Town Hall renovation plan. A lengthy discussion ensued, covering areas/amounts of cash and check collection within the town, including the WPS business office, where procedures have been greatly improved through mitigation of cash handling via RecTrac and other online payment systems, and cash and checks are now moved quickly to the Treasurer's office (notwithstanding that further room for improvement exists in some WPS departments below that level). The size and frequency of bank deposits by the Treasurer's office was also reviewed. Mr. Waldman indicated that a key priority was a welcoming customer service interface, and that staffing issues mitigated against some of the other remedies discussed. Ms. Strother and Mr. Waldman indicated that they would develop formalized cash turnover policies for adoption by the Town's BOS. The Audit Committee voted unanimously to recommend that a review of security procedures

surrounding cash holdings be conducted, and that the installation of a small, secure office safe in the Treasurer's office for holding cash be prioritized as soon as possible. Ms. Davis noted that P&S conducted blanket confirm testing at 12 banks in order to identify any rogue accounts, with none showing.

The discussion then turned back to the WPS business office. Ms. McDonnell asked Ms. Mahr if there are areas where students might be using fee-based services that they are not paying for; Ms. Mahr noted that RecTrac covers all such areas, preventing this, but indicated that she would undertake a further review of the matter. Ms. Strother noted the improvements in payroll documentation/signoff procedures. Ms. McDonnell noted that Ms. Mahr brings fresh and experienced eyes into the WPS business office; ensuring proper documentation of procedures and controls will be critical.

Ms. McDonnell then asked Ms. Strother to provide a brief update on the Town's FY 2017-18 financials as outlined in the CAFR in DRAFT form, including the transmittal letter, and Management's Discussion and Analysis. Ms. Davis reviewed P&S's role in the preparation and testing of the CAFR, noted that a "fresh look" confirmed that the document is compliant with all regulations, that the audit revealed no materials deficiencies, and that P&S had issued an unmodified opinion. The discussion then moved to a page-by-page review of the CAFR, with explanations and clarifications as required, and several corrections identified. Ms. Davis reviewed the methodology and data impact of GASB #74 and GASB #75; the importance of this latter issue to rating agencies, and Wellesley's good standing in this, was emphasized. Ms. Aufranc asked for additional information and definition of terms in Note A (p. 110), while Mr. St. Thomas asked that more information on yr./yr. budgeted and actual spending be included in the CAFR or transmittal letter, with more commentary and explanation of changes over time. Others on the AC felt that there was adequate data and/or discussion in the Statistical Section of the CAFR, the Annual Advisory Report to Town Meeting, and the Annual Town Report. Discussion also covered controls over the transfer of funds within and between departments within the town. Additionally, several specific areas where data corrections were needed were reviewed. Ms. Davis noted that P&S will be conducting its own standard internal review of all data prior to the Committee's final vote to approve the CAFR, which was then scheduled for the next AC meeting.

Ms. Davis then turned to P&S's Reports on Federal Awards Programs (in draft) covering the roughly \$1.6 million received in Federal grants, primarily within the WPS and the special education cluster. This review involved a risk assessment of internal controls over financial reporting and compliance testing, and P&S offered a clean opinion of the financial statements and internal controls over compliance. The WPS lunch program still needs to be compliance tested and a report submitted by March 31, or within 30 days of the completion of the audit. A motion to accept the Auditors' report was approved unanimously.

Ms. McDonnell turned the discussion to follow up on the question of cyber security insurance coverage within town departments. While the MAIA provided the town \$1 million of coverage currently, the AC requested that more information on the specifics of this coverage was needed. The possibility of seeking additional coverage in the future was discussed.

Ms. McDonnell then noted that the Audit Committee's annual meeting with the Board of Selectmen was scheduled for the evening of Monday, December 10, and that she would call for the Audit Committee to meet immediately prior to that session. She opened discussion to topics of interest for the AC at that meeting; among the items discussed were the rehiring of P&S as Town auditors (with personnel changes), GASB 75, the audit of the 2017-18 town financials and resolution of issues raised in prior audits, either fully or partially.

With no further business, Ms. McDonnell called for the meeting to be adjourned at 6:20 pm.

Prepared by Peter Cory, Secretary

Approved by the Audit Committee, December 10, 2018