

**Town of Wellesley
Audit Committee
Meeting Minutes
Monday, May 6, 2019
Wellesley Town Hall, Great Room**

Attendees: Members of the Audit Committee - Laura Ann McDonnell (Chair) Colette Aufranc (member), Stephen St. Thomas (member) Susan O'Shea (newly appointed member) and Frank Manguso (newly appointed member) Phil Laughlin (retiring member), Peter Cory (retiring Secretary). Renee Davis (partner) and James Powers (partner) of Powers & Sullivan LLC, Meghan Jop (Executive Director of General Government Services, Town of Wellesley), Sheryl Strother (Finance Director/CFO, Town of Wellesley) Mark Waldman (Treasurer, Town of Wellesley), Mark Kaplan (Moderator). Brian DuPont (Information Technology Director, Town of Wellesley) joined for part of the meeting as noted.

Call to order and introductions

Ms. McDonnell called the meeting to order at 2.02 p.m. All present introduced themselves.

Citizen Speak

Ms. McDonnell opened the Citizen Speak portion of the meeting and noted that there were no citizens present.

Review and approval of minutes

Ms. McDonnell asked if there were comments on the previously circulated draft minutes of the December 10, 2018 meeting of the Audit Committee, prepared by Mr. Cory. There being no comments, a motion to approve the minutes was approved unanimously.

Nomination and election of Officers

Ms. McDonnell noted the completion of Mr. Cory's and Mr. Laughlin's term as members of the Audit Committee and thanked them for their service to the Committee and to the Town of Wellesley. Ms. McDonnell welcomed Ms. O'Shea and Mr. Manguso as new members of the Committee. Ms. McDonnell opened the floor to a discussion of a candidate for the position of Secretary. Ms. Aufranc was nominated to the position of secretary and this appointment was approved unanimously by the Committee.

Personnel changes, general government, MLP etc

The following Town of Wellesley personnel changes were noted: Blythe Robinson stepped down and was replaced by Meghan Jop as Executive Director of General Government Services. Mike Pakstis stepped down as head of the Department of Public Works and has been replaced by David Cohen. Dick Joyce, head of the Wellesley Municipal Light Plant (MLP) will retire in July and a search is underway. Debra Healy, Assistant Director at the Wellesley MLP, will retire in October. Natural turnover in the Fire Department and School department was noted and not considered unusual.

Overall update from management

Ms. McDonnell invited management to give the Committee an update on financial and other matters concerning the Town. Ms. Strother noted that Annual Town Meeting was completed successfully and efficiently with a new Moderator in place. Ms. Strother discussed the Town's balanced budget, health insurance, use of free cash, projected capital projects, anticipated borrowing and level of reserves. Ms. Strother noted there is an upcoming Special Town Meeting (STM) May 13th surrounding 40b/40r housing projects and funding for mental health resources.

Ms. Jop discussed the Town's affordable housing needs and the State's position on housing at this time. Ms. Jop summarized the pathway forward for the projects being discussed at STM and outlined a number of other ongoing 40b proposals.

Ms. Strother discussed the capital plan highlighting various school projects, the library, and Town Hall reconstruction. Ms Strother noted that the Town anticipates a major Debt Exclusion to finance capital projects. Ms. Strother discussed the upcoming valuations of the Town's Pension (as of 1/1/2019) and Other Post-Employment Benefits/OPEB (as of 6/30/2018) liabilities. The Town has asked the actuary to look at these two holistically and consider the options.

Ms. Strother discussed the responses to the Management Letter (see Powers & Sullivan's management letter following the June 30, 2018 audit). Regarding the School Department's documentation of their internal control system over federal awards under COSO, this work is completed and will be discussed at our next Audit Committee meeting when Cindy Mahr, Assistant Superintendent for Finance and Operations, will be in attendance. Physical construction addressing the Management Letter point regarding the Treasurer's/Collector's office, is still in process as the design and construction of Town Hall

is underway. Final resolution of this Management Letter point is deferred until the Committee's end of year meeting.

Mr. Waldman discussed the implementation of a new IT system to migrate all permitting processes online which has now been live since 4/10/2019. Mr. Waldman discussed the resources needed for implementation and the challenges that were addressed with respect to online payments. Ms. Strother discussed the changes in financial processes and internal controls that resulted and the planned staff training.

Ms. Strother and Mr. Waldman discussed the Town's health insurance plan, the current year's open enrolment process, what resources are in place for Town employees as they go through the process and how that differs from prior years. Ms. Strother discussed the changes to the Payroll System that were necessitated by various allowances in connection with the health insurance plan.

Update from IT on cybersecurity initiatives

Mr. DuPont joined the meeting and introduced himself with an overview of his background and experience. Mr. Dupont outlined his departments main initiatives in order to stay consistent with best practices. Mr. Dupont detailed how the approach to dealing with cybersecurity has changed over time and what proactive steps his department has taken to mitigate risk. Mr. DuPont discussed cyber security insurance, backup and recovery procedures, staff training on cybersecurity risks and awareness, and the positive trends in measured vulnerability from baseline to post training. Mr. Dupont noted the IT department is actively recruiting to fill the recently established Systems Administrator position. Mr. DuPont discussed upcoming IT department initiatives and upgrades including IT policies to conform with the NIST Cybersecurity Framework. Mr. Dupont noted that with respect to the Audit Committee's January 16, 2019 letter to the Board of Selectmen on Cyber Security, the IT department is pursuing an assessment of cybersecurity risks and would welcome an outside perspective. Mr. Dupont noted that the budget is not unlimited for such purposes. Mr. Dupont then concluded his presentation and left the meeting.

Mr Cory and Mr Laughlin left the meeting at this point.

FY 2019 Audit plan and timing

Given that there are newly appointed members of the audit committee, Mr. Powers gave an overview of the Single Audit and discussed the differences in audit risks typically associated with government auditing in contrast with traditional corporate or SEC audits.

Ms. Davis discussed the timetable for the various phases of the audit. Phase 1 - pre year end assessment and planning, systems testing, review of journal approval process. Ms. Davis discussed the plan for debt issuance, Retirement Systems audit and the testing of census data. Ms. Davis also discussed the assessment of major federal grant compliance. Ms. Davis discussed Phase 2 of the audit - year end work including fixed assets, pension and OPEB notes and schedules testing, controls over compensated absences, follow up on management letter points, comparison of expenses to budget, cut off testing, and payroll process testing.

Ms. Davis identified the various reports Powers & Sullivan issue including the opinion on the Consolidated Annual Financial Report (CAFR) - being the main purpose-, the agreed upon procedures report for the School Department, compliance testing with respect to the Schedule of Expenditures of Federal Awards, the separate financial statements of the MLP and the retirement system, and the issuance of the management letter.

Ms. Davis noted that anticipated changes in financial statement presentation for this year surround changes in debt disclosures. Ms. Davis and Mr. Powers discussed the resources Powers and Sullivan have internally to review financial disclosures.

Identification of other areas/departments of focus

The Committee discussed the following as potential areas of emphasis: the Council on Aging has had a lot of change associated with its activities over the last few years, consider online payment processing systems across Town in general, consider the new online permitting systems.

Meeting Schedule for 2019

After discussion the following meeting schedule was agreed:

- Monday, 9/16/19 4pm - to meet with Ms. Mahr of the school Business Department as discussed earlier, to discuss draft financial statements for the MLP (MLP management should be in attendance), to discuss draft financial statements for the retirement system, to discuss the progress of the annual audit and to discuss the Single Audit if possible.

- Monday, 10/21/19 4pm - to finalize the MLP financial statements and discuss the draft CAFR.
- Monday, 12/9/2019 6.30pm to sign off on the final CAFR and then meet with the Board of Selectmen

Other business

Ms. Strother asked that Ms. McDonnell forward minutes to her for posting in due course.

Motion to adjourn

Ms. McDonnell made a motion to adjourn the meeting at 4:40 p.m., which was approved unanimously.

Respectfully submitted, Colette Aufranc