

Town of Wellesley, Massachusetts  
Audit Committee  
Minutes of Meeting held at 4:00 pm, May 7, 2018  
Wellesley Town Hall, Juliani Room

In attendance: Audit Committee members Larry Petzing (Chair), Peter Cory (Secretary), Phil Laughlin, Laura Ann McDonnell, and Stephen St. Thomas; also Collette Aufranc, a Wellesley resident interested in joining the Audit Committee, Sheryl Strother (Finance Director, Town of Wellesley), and Renee Davis (Partner) and Kyle Warne (Manager) of Powers & Sullivan, the Town's auditors, whose contract recently renewed.

Mr. Petzing called the meeting to order at 4:00 p.m., opened the Citizen Speak portion of the meeting, and noted that there was no one present to speak. He then moved on to review the Minutes of the Audit Committee's meeting of January 23, 2018, which were unanimously approved.

Mr. Petzing then noted the completion of his term as a member and Chair of the Audit Committee and opened the floor to a discussion of candidates for the positions of Committee Chair and Secretary. Mr. Cory was nominated to the position of Secretary, and Ms. McDonnell to the position of Chair. Following discussion each appointment was approved unanimously by the Committee. Ms. McDonnell thanked Mr. Petzing for his successful leadership of the Committee over the past two years, and in response Mr. Petzing thanked the Committee members, Ms. Strother, and Powers & Sullivan for their commitment to the work of the Committee during that period, and then departed the meeting leaving the new Chair, Ms. McDonnell, to manage the meeting.

Ms. McDonnell turned the discussion to Powers & Sullivan's recently-completed "Report on Applying Agreed-Upon Principals Applicable to Massachusetts School Districts' End-of-Year Financial Reports" for the WPS's year ended June 30, 2017, which was submitted to DESE in January, well ahead of the March 31, 2018 deadline. This report requires confirmation that some 20 agreed-upon procedures for the accounting of cost and other items are being followed properly by the WPS. Powers & Sullivan raised no issues or concerns in this year's report. The Committee accepted the report by a unanimous vote.

Ms. McDonnell then invited Ms. Strother to update the Committee on broader issues of the Town's finances and financial management. Ms. Strother discussed several issues, including efforts to codify in a new manual budget process documents for all departments town wide; the development of a new process for prioritizing capital spending requests; free cash and borrowings for capital projects; SPED spending; potential impacts of limits to individual's SALT deductions on the town's future finances, including the ability to pass future borrowings and budget overrides; personnel developments within the Finance Director's office and within the WPS (the retiring Judy Belliveau will be replaced by a new hire, Cynthia Mahr, starting July 1; Ms. Mahr is currently Assistant Superintendent, Finance and Operations, Weston Public Schools), in addition to other topics.

Ms. McDonnell then invited Ms. Davis and Mr. Warne to review the Town of Wellesley Audit Plan for the FY-ended June 30, 2018 and associated timetable. Among items highlighted: 1) field work began the previous week, focused primarily on the Retirement System and also the Single Audit federal grant review (for SPED); 2) July and August focus to be on MLP and DPW audit plans and inventory reviews; 3) implementation of GASB 74 and GASB 75 for OPEB accounting and financial reporting; 4) a meeting with the Treasurer's office, IT Director, assessing internal processes, procedures, and controls, and data security; 5) the previous year's Management Letter and comments, which focused on the timeliness of Actuarial information for the WCRS, COSO documentation of internal controls (to be prepared by both the Town, and the WPS), and the full accounting for accruals in financial statements under the previously-discussed GASB statements relating to OPEB.

The discussion then turned to potential areas of special focus under the audit plan. Among areas discussed were 1) cybersecurity and the Town's risk assessment testing system; 2) possible special reviews of functional areas/departments experiencing turnover at the senior level; 3) recent newspaper headlines re. police overtime fraud and over-use in certain Massachusetts jurisdictions prompted the suggestion that the town review its own Police Department practices re. the oversight of overtime; 4) potential IRS review of the town's issuance of Form 1099; 5) the WPS, with general agreement that the significant improvements in operations and controls within the business

office allowed the Committee to meet with management just once per year going forward; 5) the specific steps that the new audit team from Powers & Sullivan's had taken or might take in terms of a "fresh look" at the town's financial management, procedures, and controls. The town Treasurer's office was one area discussed; Ms. Davis noted some areas where they had provided recommendations for improvements, including the routine handling of daily cash receipts. She also noted that they tested MUNIS transactions to ensure that the account files of departing town employees are closed out correctly. Ms. McDonnell also raised the issue of meetings with the Powers & Sullivan team to review the town's Finance Department without management present; Ms. Davis said this was not unusual, especially at the close of the audit process. After discussion of Massachusetts' Open Meeting Laws, Ms. Strother voluntarily departed the room. Ms. Davis noted that the Finance Department does not have control over town funds but does monitor all journal entries; the audit team does review town department budgets and accounts, and reviews year-end financial account adjustments. The potential impact of staff turnover in the Finance Department was discussed. Mr. St. Thomas asked Ms. Davis to review the circumstances under which the Audit Committee might expect to hear directly from the Powers & Sullivan team, outside of the scheduled meeting cycle, regarding issues uncovered during their work.

The Committee reviewed dates for the next meeting with Powers & Sullivan, and agreed on Monday, September 10 at 4:00 pm, in the Juliani Room at Wellesley Town Hall.

Ms. McDonnell then entertained a motion to adjourn the meeting at 6:10 p.m., which was approved unanimously.

*Submitted by Peter Cory, Secretary*

*Approved September 10, 2018*