



Town of Wayland Massachusetts

Audit Committee

Yutian Zhang
Klaus Shigley
Samantha Shullo (Chair)
Randi Sterrn
Michael German

AUDIT COMMITTEE
Agenda Monday, February 26, 2024
Via Zoom - 5:00 P.M.

One may watch or may participate remotely with the meeting link that can be found at <https://www.wayland.ma.us/public-body-meeting-information-virtual-inperson-and-hybrid>.

Pursuant to Chapter 20 of the Acts of 2021, as extended pursuant to Chapter 107 of the Acts of 2022, this meeting will be conducted via remote participation. No in person attendance by members of the public will be permitted. This meeting may be recorded which will be made available to the public on WayCAM as soon after the meeting as is practicable.

When required by law or allowed by the Chair, persons wishing to provide public comment or otherwise participate in the meeting, may do so by in person attendance, or by accessing the meeting remotely, as noted above. We request public comment be limited to two minutes per person.”

Note: Items may not be discussed in the order listed or at the times estimated. Times are approximate. The meeting may be broadcast or videotaped for later broadcast on WayCam.

5:00 pm: Call to Order; assign minute taker.

5:05 pm: Review Agenda for Public.

5:10pm Public Comment

5:15 pm: Announcements; Public Comment; Members’ Response to Public Comment.

5:20 pm: Review Draft & Finalize Annual Report to the Select Board

Including a Report by Brian Keveny on Town Investment Policy, as requested in Last Year’s Annual Report to the Select Board

6:00 pm: Approve minutes of the February 12th meeting.

6:15 pm: Members’ Reports, Concerns, and Topics.

6:20 pm: Topics Not Reasonably Anticipated by the Chair 48 Hours Prior to Posting.

6:30 pm: Adjourn.

Attachments:

Draft February 12th meeting minutes

Draft Annual Report to the Select Board



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Feb 26, 2024

Draft Report to the Wayland Select Board from the Wayland Audit Committee regarding the FY '23 Audit Cycle

Background

The Audit Committee is tasked as follows:

1. Make recommendations to the Select Board (SB) for areas where extra focus or expanded attention may be appropriate.
2. Review annual financial statement and management reports prepared by the auditors and provide comments with respect to said review.
3. Review and report to the (SB) at least annually on the status of audit findings/deficiencies by the independent auditor and corrective action taken by management.

This Report addresses those tasks.

1. The Committee met on Jan 22, 2024, to discuss a draft Annual Comprehensive Financial Review (ACFR) for FY '23 and a draft of the Management Letter (ML) relating to the FY '23 audit with the Town's independent auditor. Alina Korsak was the presenter for Marcum Accountants and Advisors. Brian Keveny, Wayland

Finance Director, also attended. The Committee provided written comments and suggestions to Alina Korsak and Brain Keveny re the draft ACFR.

The ML addressed two issues that had been raised in the previous year, as well as their current year status: *Timely Cash Reconciliations* and the *Reconciliation of Guaranteed Deposits*.

The ML also recommended that the Town Prepare for Governmental Accounting Standard Board (GASB) Statement Number 101 re “Compensated Absences”.

Cash Reconciliation:

Unlike in the prior two years, monthly cash reconciliations were performed throughout the fiscal year 2023. However, the auditors concluded that there were still unresolved reconciling items related to Student Activity Funds accounts, totaling approximately \$150,000 as of June 30, 2023.

Unlike prior years, this issue was no longer identified as a material weakness.

Town Response:

The Student Activity Accounts in MUNIS are now being reconciled to the Student Activity Bank statements on a monthly basis. The outstanding unreconciled cash variance has been reduced to less than \$1,000 as of October 31, 2023. It is expected that this variance will be resolved by the end of Fiscal 2024.

Audit Committee Recommendation

The Audit Committee feels no other action is necessary.

Reconcile Guaranteed Deposits

The auditor states that as of June 30, there are “over \$600,000” of deposits in the general ledger without a detailed listings on who provided those deposits. These are individual department accounts that hold contractor funds while work is completed within the town. When the work is completed, the funds are returned to the contractor. Over time, and with routine staffing changes, many departments have lost track of what is owed back to whom and the contractors have not come forward to request their funds back.

Town Response

The Town Manager has committed to a reconciliation by the end of FY ‘24. The Town has hired a temporary worker to work on this issue.

Audit Committee Recommendation

The Town has been aware of this problem for more than two years. Unreconciled balances in FY '22 equaled \$660,000. It is worth noting what the TM said last year: "The Town Manager has committed to a reconciliation by the end of FY '23." Ergo, there hasn't been much progress towards solving this problem. The AC recommends that the "over \$600,000" be sorted by department. Progress reports should be prepared by each of the respective Department heads, at least quarterly, and submitted to the TM/SB. It is likely that some of the owners of these guaranteed deposits will never be identified. After consultation with Town Counsel, the Finance Director has concluded that if this is the case then it may be necessary to return the funds to the state as unclaimed property.

Prepare for Government Accounting Standards Board (GASB) Statements Number 101.

Town Response

The Town is aware and ensures compliance.

2. The Audit Committee (AC) received the final versions of the ACFR and the ML, including the Town's written response to the ML, on Feb 9, 2024. These documents were added to the AC packet and posted to the AC web page and distributed to AC members via email. The Committee met on Feb 12, 2024, to review the final versions of the ACFR, the ML, and the Town Management's response.

The AC believes that their written feedback on the draft ACFR has been materially accommodated in the final version of the ACFR. Their response to Management's Response to the ML is added above.

3. As stated at the beginning of this Report: "The AC is tasked with making recommendations to the SB re issues where the Audit Committee thinks extra focus or expanded attention may be appropriate. In last year's *Report to the SB for FY ending 2022*, the AC recommended that: "the Town Manager make available an overview of the investment policies and procedures to the SB and/or the Audit Committee demonstrating that Town funds are invested in accordance with such policies as well as compliance with Mass laws. Two reasons: 1. The SVB failure provides added urgency for looking at the suitability of investments, and 2. We have had significant turnover in the Treasurer position. Per the FY '22 ACFR, the Town had cash and short-term securities of \$44 million and investments of \$10 million."

Mr. Keveny, Town Finance Director, met with the AC on Feb 26, 2024, and made a presentation to address this issue. To put this issue in perspective, Town funds at the end of FY '23 totaled over \$71 million, of which \$60 million was in cash and in short terms. The AC was asking to receive comfort from Mr. Keveny that the Town was legally obligated to keep such enormous amounts in cash rather than in higher

yielding longer term assets. It should be noted that per each \$1 million invested in cash rather than investments/bonds yielding at least 1% more than cash, the Town would generate \$10,000 of additional investment income. Hence, any discretion in investment policy could have a material financial impact.

The AC is pleased to report that Mr. Keveny has convinced the AC that Town funds are properly invested in accordance with investment policies and procedure as mandated by the State. I.E. The Town is not “leaving money on the table” because of excess short terms.

4. At their meeting on Feb 26, 2024, the AC discussed other potential areas for extra focus and/or expanded audit. Among the ideas raised were:
 - The FY ‘23 ACFR provides information on various pension plans for Town employees. One of these Pension Plans is the Mass Teachers Retirement System (MTRS). The discount rate used by the MTRS Plan is 7.00%. Yet, the investment policy for the MTRS plan is expected to yield merely 6.32%. Logically the discount rate (7.00%) should never be less than the plan’s expected investment earnings rate (6.32%). One of the disclosures in the ACFR is that a 1.00% decrease in the assumed discount rate would cause MTRS liabilities to increase by \$33 million. Hence such a potential discrepancy is not immaterial. The AC recommends that the Town seek an explanation. Is this best practice or malpractice? In this connection, it should be noted that the relationship between the discount rate and anticipated investment rate of return for other pension plans is as expected.
 - The Town “Capital Projects Fund” has in excess of \$27 million. Did we need to borrow all that money as soon as we did? Should we be more prudent in matching our borrowings with our takedowns? There is a cost to borrowing in advance of the need for funds. For every \$1 million borrowed at 3% prior to takedown, the cost to the Town is \$30,000 per year minus what the Town earns on bank deposits.
 - Trash Hauling. The Town has 4779 households. Fewer than 1500 buy landfill stickers from the Town. This implies that over 2/3rds of Wayland households already pay for private trash hauling. A mere 1/3rd still travel to the landfill. Question: should the Town evaluate the economics of contracting that service to a single trash hauler? Town-wide trash hauling would almost certainly be cheaper for Town residents in aggregate. And the marginal extra costs to residents still using the landfill might be *deminimus*. **Moreover**, it would also reduce the Town’s carbon footprint. The AC recommends that the SB authorize a study to look at the economics of contracting for a single trash hauler. I expect that both the Town *Conservation Commission* as well as the *Energy and Climate Committee* would both enthusiastically support that recommendation.
 - The ML as well as Management’s responses to the ML are incorporated in this “Final Report.”
 - ???
- The AC recommends that the Town do XXX ???

The Audit Committee voted X-Y in favor of accepting the final versions of the FY '23 CAFR and FY '23 ML as presented,

The Audit Committee voted to approve the submission of this Annual Report to the SB.
Approval voted (x-y)

Respectfully submitted,
Wayland Audit Committee

Enclosures:

Management Letter with Town Manager's Response

TOWN OF WAYLAND, MASSACHUSETTS

Management Letter
For the Year Ended June 30, 2023

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To the Select Board
Town of Wayland, Massachusetts

In planning and performing our audit of the financial statements of the Town of Wayland, Massachusetts as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Town of Wayland's internal accounting control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonable possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit, we became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning those matters.

The Town's written responses to our comments and suggestions have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance, including those overseeing the financial reporting process, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Merrimack, New Hampshire
February XX, 2024

PRIOR YEAR RECOMMENDATIONS:

1. Re-Establish Timely Cash Reconciliations

Prior Year Comment:

In the prior year, we recommended that the Town re-establish monthly cash reconciliations to improve the reliability of interim financial reports and accelerate the year-end closing process. Monthly cash reconciliations were not performed throughout fiscal year 2022. An outside consultant completed the reconciliation of all bank accounts, cash book, and MUNIS through June 30, 2022 after year-end. However, there were unresolved reconciling items related to Student Activity Funds accounts, totaling approximately \$129,000. The School Department was reconciling these accounts to their activity ledgers but not to MUNIS.

Current Year Status:

Monthly cash reconciliations were performed throughout the fiscal year 2023. However, there are still unresolved reconciling items related to Student Activity Funds accounts, totaling approximately \$150,000 at June 30, 2023. The School Department continues to reconcile these accounts to their activity ledgers but not to MUNIS.

Further Action Needed:

The School must reconcile Student Activity Accounts to MUNIS and resolve old variances that have been around for many years.

Town's Response:

The Student Activity Accounts in MUNIS are now being reconciled to the Student Activity Bank statements on a monthly basis. The outstanding unreconciled cash variance has been reduced to less than \$1,000 as of October 31, 2023. It is expected that this variance will be resolved by the end of Fiscal 2024.

Prior Year Comment:

2. Reconcile Guaranteed Deposits Account to Detailed List

The Town receives deposits from various conservation, building, planning, and health permits. These deposits are refundable at the completion of the projects when specifications are met. At June 30, 2022, the amount of deposits in the general ledger was over \$600,000 but no detailed listing of individual deposits was provided.

Current Year Status:

Guaranteed deposits are still over \$600,000. Although Planning, Conservation, Board of Health and Building departments have been tasked to develop a plan to reconcile all receipts and disbursements related to their guaranteed deposits accounts, minor progress has been made and the analysis is incomplete.

Town's Response:

As of June 30, 2023, the total amount of Guaranteed Deposits on the Town's Balance Sheet is \$673,516. Four town departments receive and disperse Guaranteed Deposits. The four departments started a working group after last year audit. This process involves reviewing MUNIS reports and bank statements as well as discussing the deposits with the various town committees.

The Conservation Department and the Board of Health have reconciled a substantial portion of their respective deposit accounts. The Town will be hiring on a temporary worker to assist the four departments reconcile their respective accounts. The Town is committed to having all the accounts reconciled by June 30, 2024.

CURRENT YEAR RECOMMENDATIONS:

3. Prepare for Governmental Accounting Standard Board (GASB) Statement Number 101

The GASB has issued Statement No. 101 “Compensated Absences”. This Statement establishes new accounting and financial reporting requirements for compensated absences and is effective for fiscal years beginning with fiscal year 2025. The Statement requires governments to review and update their accounting practices for recording and reporting compensated absences such as vacation and sick leave. It also provides guidance on how to measure and recognize liabilities related to compensated absences in the financial statements.

We recommend that the town management undertake the following steps:

- Familiarize themselves with the requirements of GASB Statement No. 101 by reviewing the standard and any available implementation guidance.
- Perform a gap analysis to determine the differences between current accounting practices and the requirements of the new standard.
- Assess the potential impact of the new standard on the Town's financial reporting and identify any changes needed in the recording and valuation of compensated absences.
- Update or establish internal controls and procedures to accurately measure and report compensated absences in accordance with the new standard.
- Provide training to finance staff and other relevant personnel on the new requirements.
- Consider engaging a consultant or subject matter expert if additional expertise is required for the implementation process.
- Begin the process well in advance of the effective date to allow for any challenges that may arise during the transition.

Taking proactive measures to prepare for GASB Statement No. 101 will help ensure that the Town remains in compliance with generally accepted accounting principles and that its financial statements accurately reflect the obligations related to compensated absences.

Town's Response:

Town Management is aware of GASB 101 and the requirements to implement. We will ensure that accounting practices and procedures are updated for Fiscal 2025.



Town of Wayland Massachusetts

Audit Committee

Yutian Zhang
Klaus Shigley
Samantha Shullo (Chair)
Randi Sterrn
Michael German

AUDIT COMMITTEE Draft Minutes Monday, February 12, 2024 Via Zoom -5:00 P.M.

Attendance: Samantha Shullo, Klaus Shigley, Randi Sterrn, Michael German, Yutian Zhang, Brian Keveny (Finance Director for the Town of Wayland)

Call to Order: The meeting was called to order at 5:02 PM. Mr. German was assigned to take minutes.

Review Agenda for Public: S. Shullo reviewed the agenda for the public. The focus of the meeting was to review and prepare a response to the FY 23 Management Letter (ML).

Announcements: None.

Public Comment: Ms. Shullo noted there were no members of the public present to comment.

Review the ML from the town with Brian Keveny:

The discussion began by addressing prior year recommendations:

1. Re-Establish Timely Cash Reconciliations

Ms. Shullo acknowledged the substantial progress achieved, a sentiment echoed by Mr. Shigley, who emphasized that the previous issues were no longer an area of concern. Mr. Keveny expanded on the developments, clarifying that the sole remaining unreconciled cash variance, amounting to less than \$1,000, stemmed from checks associated with the Student Activity Funds account. This account includes

checks related to school field trips, which are not accurately reported in MUNIS. Nonetheless, there has been a significant improvement in reconciling the unresolved items.

The discussion shifted to the second prior year recommendation:

2. Reconcile Guaranteed Deposits Account to Detailed List

Mr. Shigley questioned the feasibility of meeting the June 30, 2024, deadline. Mr. Keveny responded by outlining current challenges. Of the \$673,516 balance in the Guaranteed Deposits account, there are four departments that must disperse these funds. The Conservation Department, with approximately \$320,000, has made progress in identifying significant deposits and is actively reaching out to individuals for reimbursement. Similarly, the Board of Health, with around \$60,000, is engaged in a similar process of contacting individuals. However, the Planning Board and Building Department are significantly behind in their reconciliation efforts. Mr. Keveny highlighted the presence of two new department heads without comprehensive insights into past department endeavors. He indicated that the Town is hiring a temporary worker to assist in the reconciliation efforts.

Mr. Shigley raised concerns regarding the attainability of the reconciliation process. Mr. Keveny elaborated that routine meetings are scheduled to address these issues. Additionally, he noted that a large amount of information should be contained in prior years' meeting minutes.

Ms. Shullo revisited the question of whether meeting the June 30, 2024, deadline was feasible, prompting Mr. Keveny to confirm its viability. Expanding on the discussion, he drew attention to the possibility of a residual pool of unclaimed funds, proposing that, should this situation arise, the Town Council would be consulted to determine the appropriate course of action.

The discussion concluded with the current year's recommendation:

3. Prepare for Governmental Accounting Standard Board (GASB) Statement Number 101

Mr. Keveny elaborated on the ongoing efforts to implement new GASB requirements, emphasizing the Town's accumulated experience in navigating through this process. He highlighted the varying degrees of complexity involved, noting that while some adjustments prove relatively straightforward, others present more significant challenges.

Prepare Response to the ML:

Mr. Shigley volunteered to compose an initial draft of the Audit Committee's annual report to the Select Board. This report will encompass key elements discussed during the ML Review conducted with Mr. Keveny. Additionally, Ms. Shullo emphasized the importance of featuring the status of Guaranteed Deposits in the report. She mentioned the necessity of describing the steps to be taken if unclaimed funds persist.

Mr. Shigley recalled that in the preceding year, the Audit Committee advised the Town Manager to provide an overview of the investment policies and procedures to the Select Board and/or the Audit Committee. The objective was to ensure that Town funds align with established policies and adhere to Massachusetts laws. To maintain this alignment in the current year, Mr. Shigley suggested that the Audit Committee engage in a discussion with the Town Treasurer to verify the appropriate investment of funds. This necessitates the Audit Committee scheduling another meeting to convene with the Town Treasurer and to review Mr. Shigley's draft of the report.

It should also be noted that a standard procedure for the report involves affirming that the Committee's written feedback on the draft ACFR was “materially accommodated” into the document’s final version. Both Mr. Shigley and Mr. German reiterated that their respective written feedback on the draft ACFR was considered and incorporated into the finalized ACFR.

Review Current Charge for the Audit Committee:

The primary function of the Audit Committee is advisory. During the discussion, Ms. Stern, Ms. Shullo, and Mr. Shigley explored various strategies to enhance the reception and implementation of the committee's advice.

Approve minutes of the January 22, 2024, AC Meeting:

There were no changes noted. Ms. Shullo motioned to approve. Mr. Shigley seconded. Motion passed. Vote 5-0.

Members’ Reports, Concerns, and Topics: There was a brief discussion of creating an Audit Committee contact directory to communicate more effectively.

Topics Not Reasonably Anticipated by the Chair 48 Hours Prior to Posting: N/A

Adjourn: Mr. Shigley motioned to adjourn. Ms. Shullo seconded. Motion passed. Vote 5-0. Meeting adjourned at 5:57 PM.

Respectfully Submitted,

Michael German

Attachments:

Approved Minutes of the January 22, 2024, meeting
Draft FY 23 ML