



# Town of Wayland Massachusetts

## 2023 Annual Report

The Audit Committee is comprised of five members, with one member each designated by the School Committee, and Finance Committee, and three members designated by the Select Board. At present, all five positions are filled. The Committee makes recommendations to the Select Board on the selection of the independent auditor and scope of the independent audit. During the annual audit, the Committee communicates with the Finance Director and the independent auditor to ensure that the process is operating effectively. At the conclusion of each audit cycle, the Committee reviews the annual financial statement and management reports prepared by the auditors and provides comments. The cycle is complete upon presentation of the Committee's Final Report to the Select Board.

### FY 2022 Audit Cycle

The Committee met with Alina Korsak from Marcum Accountant and Advisors, formally Melanson, the Town's independent Auditor, on February 21, 2023, to review the draft of the Comprehensive Annual Financial Report (CAFR) and a draft of the Management Letter. The purpose of the Management Letter is to identify weaknesses, if any, in the Town's internal controls over financial reporting. The Management Letter discussed two issues raised from the previous year that are not yet fully remediated, as well as their current year status in addition to recommendations for the current year. The issues pertaining to the prior year audit are: 1. Re-establish timely cash reconciliations and 2. Ensure compliance with uniform guidance. The cash reconciliation issue has been raised repeatedly over the past several years and was not fully remediated in 2022. Nonetheless, the Audit Committee recommendation that the Treasurer report to the Finance Director has been implemented and there are positive impacts seen from that, such that the Audit Committee has no further recommendations on this issue and is confident this will be fully resolved for the coming year. The second issue with respect to Ensuring Compliance with Uniform Guidance was not remediated as discussed in 2021. The recommendation was for the Town to implement enhanced policies and procedures and that all departments be aware of Uniform Guidance (over federal grants) requirements. The Town Manager has committed to publishing and implementing the Town's procedural manual on Federal Grants and Procurements. The new issues raised for 2022 are 1. Reconciling Guaranteed Accounts to Detailed List and 2. Prepare for Government Accounting Standards Board (GASB) Statements Number 94 and 96. For the first issue, the auditor found that as of June 30, 2022, there were \$666,000 of deposits from various permits which are refundable at the completion of the project, yet there was no listing of individual deposits. The Town has been aware of this, agrees with this recommendation and will create a process such that this reconciled quarterly going forward with each department. The second issue is driven by GASB issuing Statement No. 94 "Public-Private and Public-Public Partnerships (PPPs) and Availability

Payment Arrangements (APAs)” and Statement No. 96 “Subscription-Based Information Technology Arrangements (SBITAs)”. This is a reminder that the Town will need to prepare for these accounting standards. The Town is aware and ensures compliance.

#### FY 2023 Audit Cycle

The Audit Committee will monitor the issues discussed above. Moving forward, the Audit Committee recommends that the audit be expanded to ensure Town funds are invested prudently as well as in compliance with Massachusetts laws. This recommendation stems from the recent default of banks, and as the significant in the Treasurer position experienced by the Town.

Submitted by, Klaus Shigley, Chair; Stephen Curtin; Samantha Shullo; Randi Stern; and Deborah Vogt

Remarks to the SB.

My name is Klaus Shigley. I am the chair of the AC. Our Committee did not meet as a committee this evening. However, they appointed me to summarize our annual report. Your meeting package includes the Annual Report of the AC to the SB. Unlike last year, this report is mostly benign. And I don't have much to add to what Alina and Michael McCall have already said.

But,

I did want to elaborate on one of the recommendations in our Annual Report.

- Our annual report recommends quote:” that the Town Manager make available an overview of the investment policies and procedures to the SB and/or the Audit Committee that Town funds are invested in accordance with such policies as well as in 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”. End quote.

This recommendation was the result of an unscientific survey the Committee did of Peer Town Audit Procedures. (That survey is also included in your meeting package).

We discovered among other things that just 3 of our 11 Peer Towns have an Audit Committee. So, it's unusual for a Town our size to have an AC.

Also, in Wayland, the Independent Auditor makes a report to both the AC and the SB. Hence there's an element of redundancy.

So how does the AC add value?

One of the common denominators of the various AC mission statements that we reviewed was that they recommend, but do not have authority to demand, expanded scope audits.

Hence, our report on “Peer Town Audit Practices” states one of the outcomes of our survey is that the Audit Committee will quote: “consider expanding the audit scope with each annual report to the SB”.

Our candidate for an expanded scope audit this year was to ask for a report on the investment policies and procedures used by the Town Treasurer. The AC recognizes that they don't have the expertise to make judgements about whether the Treasurer has invested prudently, but they think it's important to make sure that investments are consistent with policies and procedures.

So, what does that mean?

The Town has unassigned fund balances of \$13 million. That number tends to be fairly constant. How is that money invested? What's discretionary and what's non-discretionary? If

discretionary, do we have an investment policy WRT credit risk, maturity risk, market risk, concentration risk? Do we use bond ladders where they're appropriate? Does the Treasurer write an annual report? I don't know about the specific constraints pertaining to Public sector investment guidelines, but I used to be a CFA and I know that discretionary investment decisions can have an impact on financial performance. So, there should at least be an annual report to the Select Board. BTW. I should point out that I shared these remarks with the Treasurer's boss ahead of time, and he had no issues.

Thank you for your consideration.



# Town of Wayland Massachusetts

## **Audit Committee**

Klaus Shigley (Chair)

Stephen Curtin

Randi Stern

Samantha Shulb

Deborah Vogt

## **Wayland Town Audit Committee **Draft** Minutes**

**Monday, March 27, 2023**

**6:00 pm via Zoom**

### **In attendance:**

Klaus Shigley, Chair; Randi Stern, Member; Steve Curtin, Member; Deborah Vogt, Member; Samantha Shullo, Member; Brian Keveny, Wayland Finance Director.

- **Call to order:**
  - Meeting was called to order by Chair Shigley at 6:04 PM.
  - Steve Curtin assigned as minute-taker for 3/27 meeting.
- **Agenda was reviewed by AC**
- **No public comment**
- **Town Update by Brian Keveny, Finance Director**
  - New Town Manager- Michael McCall has started. Formerly with Town of Southbridge
  - Finance Committee has finished budgets for Town Meeting
  - Upcoming Town Elections April
  - Town Meeting – Town Meeting May 1
  - School Business Manager Tom Lafleur leaving end of June
- **Final FY 22 ACFR**
  - No comments/edits from AC
  - AC voted 5-0 to approve as presented
  - Will be sent to Select Board
- **Discussion of the Town response to the ML**
  - Reviewed with AC
  - Klaus and Samantha presented edits
  - The Audit Committee voted 5-0 in favor of accepting, with edits, the final version to present to Select Board
- **AC Annual Report to the SB**
  - Draft report was presented by Chair to AC
  - Discussion by AC involving:

- Potential Expansion of scope of AC
- AC analysis: 3 of our 11 Peer Towns have an AC
  - How does the AC add value?
  - Candidate for expanded scope audit this year was to ask for a report on the investment policies and procedures used by the Town Treasurer. The AC recognizes that they don't have the expertise to make judgements about whether the Treasurer has invested prudently, but they think it's important to make sure that investments are consistent with policies and procedures.
  - Investments: Recommendation that Town Manager make available an overview of the investment policies and procedures to the SB and/or the Audit Committee that Town funds are invested in accordance with such policies as well as in 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.
  - The Town has unassigned fund balance of \$13 million. How is that money invested? What's discretionary and what's non-discretionary? If discretionary, do we have an investment policy WRT credit risk, maturity risk, market risk, concentration risk? Do we use bond ladders where they're appropriate? Does the Treasurer write an annual report?
    - There should at least be an annual report to the Board.
- The Audit Committee voted to approve the submission of this Annual Report with these recommendations to the SB. Approval voted (5-0)

#### **Approve Minutes of the prior AC Meeting**

- Draft Minutes of the Feb 27, 2023, AC Meeting approved as amended (5-0 vote)

#### **CY 22 Audit Cycle Remaining Deliverables**

- AC Annual Report for the Town of Wayland Annual Report
- Klaus will represent AC in the Select Board Meeting in April
- Expiring terms (Steve, Deb, SB, Klaus FinCom)
  - Curtin and Vogt informed AC that they will not be seeking reappointment for another term

#### **Members' Reports, Concerns, and Topics**

- No additional reports, concerns or topics reported

#### **7:25 pm: Topics Not Reasonably Anticipated by the Chair 48 Hours Prior to Posting**

- No additional topics reported

#### **7:01pm: AC Adjourned (5-0 vote)**