

Wayland Audit Committee

Monday, February 3, 2020, 7:00 PM – Hearing Room #2, Wayland Town Building

Meeting Minutes – Approval voted on February 26 by a quorum of the Audit Committee (4-0)

Attendees

Wayland Attendees: Chris Ryan, Randall Moore, Klaus Shigley, Vika Mints

Brian Keveny, Town of Wayland Finance Director

Alina Korsak (Melanson Heath, auditor)

Brian O’Herlihy (non-voting, member of public nominated to join the Audit Committee, and expected to be approved by BoS at tonight’s meeting.)

Meeting

1. Call to Order at 7pm
2. Public Comment – Brian O’Herlihy introduced himself as our fifth joiner to the committee (see attendees above). Brian’s public comments included being cognizant of OML language in meeting agendas and minutes, his experience in audit and tax, concerns with recent history of failure to reconcile cash, and the requirement to hire consultants to make up for past missed reconciliation periods. Other than Brian O, there was no other public comment.
3. Topics not reasonably anticipated by the Chair 48 hours in advance of the meeting
 - a. Given the Audit Committee did not meet in 2019, member turnover, and the lapse of Chris Ryan’s appointment, the Audit Committee does not currently have a Chairperson. Randall Moore offered to run the meeting and take minutes; we will take up a nomination and vote of our Chairperson at the next meeting
 - b. **Motion for Randall to run tonight’s meeting** made by Klaus, seconded by Chris; approved 4-0
4. Welcome new Audit Committee members, Klaus Shigley and Vika Mints
5. Review and discuss 2019 CAFR and Management Letter with representative from Melanson Heath
 - a. Brian discussed recent history of cash management, lack of cash reconciliations, and Treasurer turnover. Town hired retired fill-in, new Treasurer in spring 19, however cash accounts were not reconciled all year
 - i. Consultant brought in to reconcile cash over 5 weeks starting in August.
 - ii. MH started Audit much later than previous years: October, 2019
6. Alina’s presentation
 - a. CAFR – full set of financial statements prepared by Brian with Melanson Heath performing an independent audit of results
 - b. Summary audit opinion – unmodified or “clean”
 - c. Opinion on p.20
 - d. Summary of Government-Wide activities on p.25.
 - e. More detail on Funds Side – p.28 – focus by general fund and changes
 - i. Discussion of fluctuation of Assigned (went down) and Unassigned (went way up)
 - ii. Stabilization methods
7. Klaus made general point about readability of the report illustrated by the reference to “The change of \$(3,234,967) results primarily...” at the bottom of p.27 without a clear contextual explanation. He recommended it would be helpful to point out to the reader that the table on p.38 provides a full

explanation. Klaus said he had many documented concerns with the report, and agreed to send to Brian K.

8. Brian O made a public comment, that any suggestions need to be emailed separately to Brian K
9. Alina completed the remainder of the CAFR review
 - a. p.32 – Government Wide Balance Sheet
 - b. p.36 – Fund basis
 - c. p.36 - General Fund
 - d. p.38 – GAAP Income statement (even) – additional detail on p.55
 - e. p.40 – budget basis -\$22K
 - f. p.43 – enterprise funds
 - g. p.44 – OPEB \$18.2
10. Klaus raised concerns that the target allocations figures on pp.76-84 are wrong or misleading
 - a. OPEB is reasonable, Teachers is okay, Mass is wrong
 - b. Issue with language and discount rate definition used on p.84
11. Alina presented the Management Letter – Melanson Heath is presenting “Other Recommendations” only
 - a. Item 1 - Uniform Guidance
 - i. Usually applies to larger federal grants which will generate Single Audits
 - ii. Ensure compliance with procurement, capital asset accounting, funds transfer
 - b. Item 2 - Cash Reconciliation – Considerable discussion on this topic and finding.
 - i. We learned that the consultant was “surprised of depth of issues,” however, Brian K reports that things seem to be more stable. Consultant will come back in February to review progress
 - ii. FY18 variances have been brought into FY19
 - iii. Chris requests to know the amount of variances > Brian K does not know but will let us know (was discussed in '18 Management Letter)
 - iv. Brian O provided public comment – stating it is unclear about where responsibility for cash reconciliation lies, whether it is with the Finance Director vs. the Treasurer
 - v. The Treasurer was not using QuickBooks to reconcile cash with bank statements
 - c. Item 3 Fund Withholding Account – School payroll under-collected health insurance premiums through deductions for a number of employees, which has resulted in \$100-\$150K sitting in an uncollected receivable. Collecting this receivable is being blocked by teacher's union. 90% of teachers in this status are current employees.
 - d. Item 4 Payroll processes - BK discussed additional controls on the School side to improve accuracy.
12. Audit Committee Discussion and Recommendations after departure of Brian K and Alina
 - a. In summary, the Audit Committee is concerned with these findings, especially Items 2, 3 and 4, and intends to send a communication to the Board of Selectmen to formally register our issues.
 - b. We requested that Brian K speak with Scott McIntyre to determine if Melanson Heath is standing by it “Other Recommendations” finding and whether the opinion should be downgraded to reflect the serious deficiencies called out in the Management Letter.
 - c. Given the upcoming deadline to file the certified CAFR, the Audit Committee does not have time to review another revision of the completed CAFR and Management Letter. The Audit Committee debated whether to approve the documents and arrived at the following motion from Chris:
Approve the CAFR and Management Letter on the condition that Brian K will review and consider the specific written recommendations AC members will provide to improve readability and use of

definitions. Direct comments to be individually provided this week. Second by Klaus; Approved 4-0.

13. **Approve prior meeting minutes for meeting dates September 25, 2017; November 27, 2017; May 16, 2018.** Note, the published agenda is in error; Minutes for the September 25, 2017 were approved by the Audit Committee on November 27, 2017. A copy of these approved minutes were passed out to the committee.

- a. Chris made a motion to approve Nov. 27, 2017 minutes, Second by Klaus; Approved 4-0
- b. Chris made a motion to approve Dec. 12, 2018 minutes, Second by Klaus; Approved 4-0
- c. Randall will email approved minutes to the Town Clerk for posting on the AC website

14. Prior to adjournment, Klaus raised a question to hear Randall and Chris's thoughts on the Mission of the Audit Committee. The group aligned on the following four areas:

- a. Review town CAFR and Management Letter
- b. Provide an independent body view on the financials and audit opinions
- c. Review and recommend other procedural improvement opportunities across Wayland's entire governmental entity
- d. Provide input into the engagement and selection of the town's auditor

15. **Motion to Adjourn** raised by Klaus, second by Chris; Approved 4-0