

Audit Committee
Monday, February 22, 2021
5:00 p.m.
Wayland Town Building
Council on Aging Room
41 Cochituate Road, Wayland, MA

Agenda

Note: Items may not be discussed in the order listed or at the specific time estimated. Times are approximate. The meeting likely will be broadcast and videotaped for later broadcast by WayCAM.

*In compliance with the revised Open Meeting Law requirements, we will be holding the meeting on Zoom and will simultaneously live stream the meeting on WayCAM. Those wishing to join the meeting directly via Zoom may do so using the following link:

<https://zoom.us/j/92665716222?pwd=ZVcwdmlpM0VNRm84NWorbzY2bGZsZz09>

PW: 943975

Public Comment will be received via Zoom. Zoom participants can “raise their hand” in Zoom during the public comment portion of the meeting to indicate their desire to comment. Instructions for participating via Zoom can be found here: <https://support.zoom.us/hc/en-us/articles/205566129-Raising-your-hand-In-a-webinar>. Thank you in advance for your patience; we intend to address all requests that come in during the Public Comment period.

*** In compliance with the revised Open Meeting Law the following members are present and participating remotely:

- Randall Moore – Audit Committee
- Klaus Shigley – Audit Committee
- Debbie Vogt – Audit Committee
- Steve Curtin – Audit Committee
- Alina Korsak from Melanson
- Brian Keveny – Finance Director, Town of Wayland

Agenda

1. Call to order; review agenda for the public
2. Assign minute taker
3. Welcome and introduce Steve Curtin
4. Meet with Alina Korsak (Melanson) and Brian Keveny to review the FINAL version of the 2020 CAFR and Management Letter, and PowerPoint presentation
5. Audit Committee discussion of FINAL version of the 2020 CAFR and Management Letter
6. Discuss outline of the Audit Committee’s Final Report for 2020 to the Board of Selectmen
7. 6:30pm recess to join Board of Selectmen to discuss Fiscal year 2020 Management letter with Town Administrator and Finance Director; vote to approve Management Letter

8. Review and approval of minutes from the last Audit Committee meeting on November 30, 2020
9. Public comment
10. Discuss topics for the next Audit Committee meeting, date to be determined
11. Adjourn

Wayland Town Audit Committee

Draft Minutes

Monday, February 22, 2021

5:00 pm

Via Zoom

In attendance:

Randall Moore, Chair; committee members Klaus Shigley, Steve Curtin, and Deborah Vogt. Also in attendance were Brian Keveny, Town of Wayland Finance Director and Alina Korsak, CPA, Principal, Melanson.

Call to order:

The meeting was called to order at 5:02 pm by Chair Moore. The chair reviewed the agenda and introduced the attendees including new committee member, Steve Curtin. The committee members took turns introducing themselves as a new member joined the group.

Minutes: Deborah Vogt offered to take minutes

Review and Discussion of 2020 Management Letter – final copy: Alina Korsak presented the final letter via PowerPoint presentation highlighting the recommendations and the Town's response:

1. Ensure compliance with uniform guidance.
2. Re-establish timely cash reconciliations.
3. Improve controls over payroll.
4. Transfer funds on a timely basis.
5. Ensure motor vehicle bills are issued timely.

Questions were posed by the committee particularly surrounding recommendations and the Town's response to issues 2, 3, 4 and 5.

#2: The question was posed as to whether the cash reconciliations for FY21 were being completed timely. Town Finance Director, Brian Keveny provided additional detail regarding the town reconciliation plan for FY21. As was done for FY20, the town has engaged with Clifton Larson Allen (CLA) to have a person on-site to catch up the cash reconciliations. The catch-up is expected to be completed by the May review by Melanson.

#4: Committee member Klaus Shigley highlighted that funds that were not transferred to the appointed investment account timely may have earned less interest than they would have had they been invested according to schedule.

#5: Chair Moore asked Brian Keveny to clarify if the auto bills were issued late due to a delay on the part of the town or the vendor. Brian confirmed that they were late due to a delay on the town's part. He

also shared that while the revenue in this account was low for 2020 due to the monies being collected after the close of FY20, the monies collected will be included in the 2021 revenue figure.

#3: Committee member Debbie Vogt asked Alina to clarify the Town's response to the payroll audit. Chair Moore asked if there was a plan in place for the town and the school department to combine payroll processing.

When all the Audit Committee questions had been asked and answered, Alina Korsak and Brian Keveny left the zoom meeting.

Audit Committee meeting:

The 4-person committee continued with the Chair and committee cooperatively reviewing and completing the document titled, "Final Report to the Wayland Board of Selectmen from the Wayland Audit Committee Regarding the FY20 Audit Cycle."

The above-named report was prepared for presentation to the Board of Selectmen (BOS) at the 6:30 pm meeting.

Audit Committee presentation to the BOS meeting:

At 6:41 pm the Audit Committee joined the BOS meeting in progress.

Alina Korsak presented the Management Letter to the BOS.

Chair Moore shared the Audit Committee's approval and support of the Management Letter.

After open discussion and Q&A with the BOS, the BOS accepted the Management Letter.

Audit Committee reconvened at 7:28 Via Zoom.

Attendees: Randall Moore, Steve Curtin, and Klaus Shigley.

Review and approval of minutes from the last Audit Committee meeting on November 30, 2020

The Chair asked if there were any edits to the minutes. No changes were proposed. Mr. Shigley moved to accept the minutes. Mr. Curtin seconded. The Committee voted 3-0 to accept the minutes as submitted.

Public comment: None

Discuss topics for the next Audit Committee meeting, date to be determined:

Mr. Moore indicated that the auditing engagement with Melanson may be expiring. If so, the Audit Committee would need to recommend that the Town prepare an RFP to secure auditing services for the next three-year cycle. Normally, the audit cycle begins in April/May. It was not clear whether there was sufficient time to get through the RFP process by that time frame, and, if not, whether that meant Melanson would be retained for another year by default. Mr. Moore will research the timing details with the Finance Director and the Town Administrator.

Another potential topic for discussion at a future meeting relates to the report (“Mission Statement from Various Audit Committees for Review”) posted to the Audit Committee web site that summarizes the duties/deliverables by various Audit Committees from neighboring towns. The report was meant to stimulate discussion on whether the Wayland Audit Committee could add value by borrowing good ideas from other Towns.

Mr. Shigley then proposed that another topic for discussion at the next meeting would be to raise new issues that could properly be included in the scope of the next audit. Mr. Shigley suggested one idea, which would be to look at how investment policy decisions in Town get made. Thus, for example, are we comfortable that PRIT is a suitable investment vehicle for OPEB?

This example was meant to stimulate thinking and encourage other Committee members to identify areas of concern that could properly be included in the scope of the next audit.

Adjourn: Mr. Shigley moved to adjourn the meeting. Mr. Curtin seconded. The vote was 3-0. The meeting adjourned at 7:42PM.

Respectfully submitted:
Deborah Vogt and Klaus Shigley

Exhibits:

Agenda for the meeting
Final Report Submitted to the BoS re the FY 20 Audit Cycle
Melanson Power Point presentation

February 21, 2021

Final Report to the Wayland Board of Selectmen from the Wayland Audit Committee regarding the FY20 Audit Cycle

Background

- 1) On November 30, 2020, a quorum of the Audit Committee met Alina Korsak from Melanson to review the draft CAFR and a draft of the Management Letter.
 - a. Alina Korsak presented a prepared Powerpoint deck entitled Presentation of Financial Statement / Audit Results
 - b. Alina then walked the Audit Committee through the draft CAFR with considerable back-and-forth between the Audit Committee, Director of Finance, Brian Keveny, and the Auditor.
 - c. Finally, the Audit Committte reviewed a draft of the 2020 Management Letter. First, issues from the 2019 audit regarding Uniform Guidance, Timely Cash Reconciliations, and Improving Controls Over Payroll were discussed. Next, the Audit Committee discussed the current year recommendations, Transfer Funds on a Timely Basis , and Ensure Motove Vehicle Bills are Issued Timely. Our discussion is documented in the November 30, 2020 approved meeting minutes which are posted on the Audit Committee's web page.
- 2) On February 20, 2020 the Audit Committee received the final versions of the CAFR and Management Letter which includes the Town's written response. These documents were added to the Audit Committee packet and posted to the AC web page and distributed to AC members by email
- 3) On Feburary 22, the next regular meeting of the Audit Committee met and are working off an agenda that was posted on February 18, 2021.
- 4)

Audit Committee Response to the FY20 Audit Cycle.

CAFR comments

- The Audit Committee does not have any material comments regarding the CAFR other than the comments published in our meeting minutes.
- Klaus Shigley provided written feedback that was materially accommodated in the final form of the CAFR.
- [On April 19, 2020, a member of Wayland Voters Network](#) pointed out several non-financial errors regarding dates and timing of certain Wayland capital projects (Town Center, High School, etc.), and recommends that the Finance Director explore correcting any misstatements in the CAFR.
- Board of Selectmen referred the issue to the Town Administrator, and Brian Keveny will make corrections to any misstatements.
- Although the Board of Selectmen voted to approve the response to the Management Letter during their meeting on April 17, 2020, the Board of Selectmen Chair requested delaying the response until the Audit Committee can formally weigh in. This request occurred at the April 24, 2020 meeting of the Board of Selectmen.

Management Letter Comments

- The Audit Committee spent considerable time discussing the four findings in the Management Letter.
- Uniform Guidance requirements are not applicable because Commonwealth of MA grant funding is below the triggering threshold for UG guidelines. If Federal CV-19 grants are of a substantial size in FY21, the Town will need to ensure it is compliant with UG requirements.
- Cash Reconciliations
 - In FY13, Treasurer was performing Cash Reconciliations in excel, and not a commercial accounting package.
 - In FY14, Wayland transitioned to QuickBooks.

- In FY17, MelansonHeath noted inconsistencies in Cash Reconciliation processes.
- In FY18, Wayland hired a consultant who pointed out Cash Reconciliation shortcomings.
- Although Cash Reconciliation was inconsistently applied during FY18, this issue was not materially addressed in the FY18 Management Letter.
- Turnover in the Treasurer's office forced the Town to bring the consultant back to clean up the Cash Reconciliation process.
- The Audit Committee came to fully understand the magnitude of the Cash Reconciliation issue during the February 3, 2020 meeting, and decided another meeting would be required to discuss the matter further.
- On February 26, 2020, the Audit Committee met with Louise Miller who presented the background that led to the issue, namely turnover in the Treasurer's Office, the subsequent hiring of a financial consultant to catch up on incomplete Cash Reconciliations, and the plan to define a future Cash Reconciliation process including written process guides so the Town will be in better position to ensure timely Cash Reconciliations occur in the future.
- The Audit Committee believes the Town is now on the right path to mitigate the deficiency, and has the requisite personnel and outside consulting assistance to complete Cash Reconciliation process as defined by the financial consultant. Additional personnel vacancies will need to be resolved before the Town can complete all Treasury activities independently. The Audit Committee will monitor this process as part of the FY20 audit cycle.
- The Audit Committee also wishes to point out that the Town knew about the Cash Reconciliation issue internally, and that it was not "discovered" by the Audit Committee or external auditors.

- Withholding Accounts
 - The Audit Committee understands that the issues related to the Withholding Accounts have been addressed and mitigated through the implementation of improved controls.
- Payroll
 - During the February 3, 2020, meeting, the auditor explained to the Audit Committee that the sampling methodology uncovered findings that are pointed out in section 4 of the Management Letter (see sample testing findings).
 - The sample sizes were not increased and re-tested so it is possible larger problems might still exist and could go undetected.
 - The Town should ensure there is proper segregation of duties, so Time Card Entry and Time Card Approval are performed by separate teams.
 - The Town should consider exploring consolidating Town and School payroll systems and teams using consistent processes, approvals, and oversight.

In summary, the above concerns are noted and explained and though various conversations with personnel and officials, we believe the Town is on the right path to address and fully mitigate deficiencies.

Respectfully submitted, Wayland Audit Committee – Approval voted (4-0)

Randall Moore (Chair)

Chris Ryan

Klaus Shigley

Vika Mints

Town of Wayland, Massachusetts Presentation of Financial Statement Audit Results June 30, 2020

November 30, 2020

By: Alina Korsak, CPA, Principal



Relationship with the Auditors

- ▶ Auditors work with management to perform the audit.
- ▶ Auditors express an opinion on the financial statements that are the responsibility of management.

Reports Issued

- ▶ Opinions on your financial statements (however, we do not express an opinion on your management discussion and analysis and your required supplemental information, which includes pension and OPEB schedules)
- ▶ Management Letter
- ▶ Governance Letter

Audit Process

An audit involves:

- ▶ Performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.
- ▶ NO opinion is expressed on the effectiveness of the Town's internal control. However, we do obtain an understanding of checks and balances that are present in the Town and test transactions on sample basis.

Rule Setting Agencies

- ▶ Governmental Accounting Standards Board (GASB) is the nation-wide body that establishes the form and content of the statements. The GASB provides the standards on how to prepare financial statements in accordance with Generally Accepted Accounting Principals (GAAP). Users such as investors and rating agencies rely on the consistent application of GAAP. This is the only way users can assess the financial position of one government compared to another.
 - ▶ GASB 84, effective for June 30, 2021 FS, clarifies the definition of a Fiduciary Activity, eliminates Agency Funds and introduces Custodial Funds.
 - ▶ GASB 87, effective for June 30, 2022 FS, revises existing standards on lease accounting and financial reporting.
- ▶ Generally Accepted Governmental Auditing Standards (GAGAS), also known as the Yellow Book, outlines requirements for audit reports, professional qualifications for auditors and audit organization quality control.
- ▶ The DOR accounting standards are known as the Uniform Municipal Accounting System (UMAS) and are not GAAP.

Overview of the Financial Statements and How to Read Them

- ▶ Auditors' Report – unmodified opinions
- ▶ Management Discussion & Analysis – provides reader with summary to have a basic understanding of how the Town is doing
- ▶ Dual perspective financial statements:
 - ▶ Government-Wide Financial Statements – long term perspective
 - ▶ Fund Financial Statements – short term perspective for governmental funds
- ▶ Notes to the financial statements and required supplementary information

Town of Wayland, MA General Fund Unassigned Fund Balance for fiscal years ending June 30



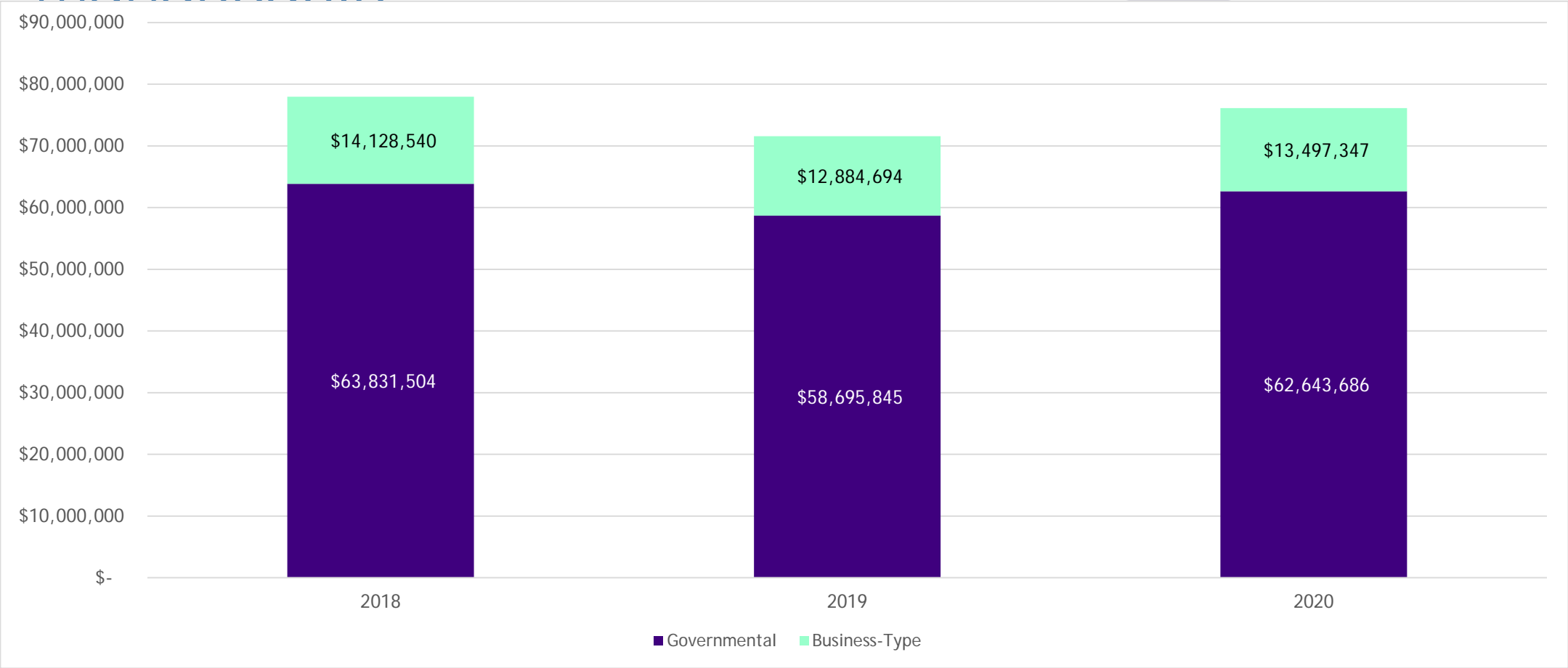
Town of Wayland, MA Unassigned General Fund Balance as percentage of total revenues



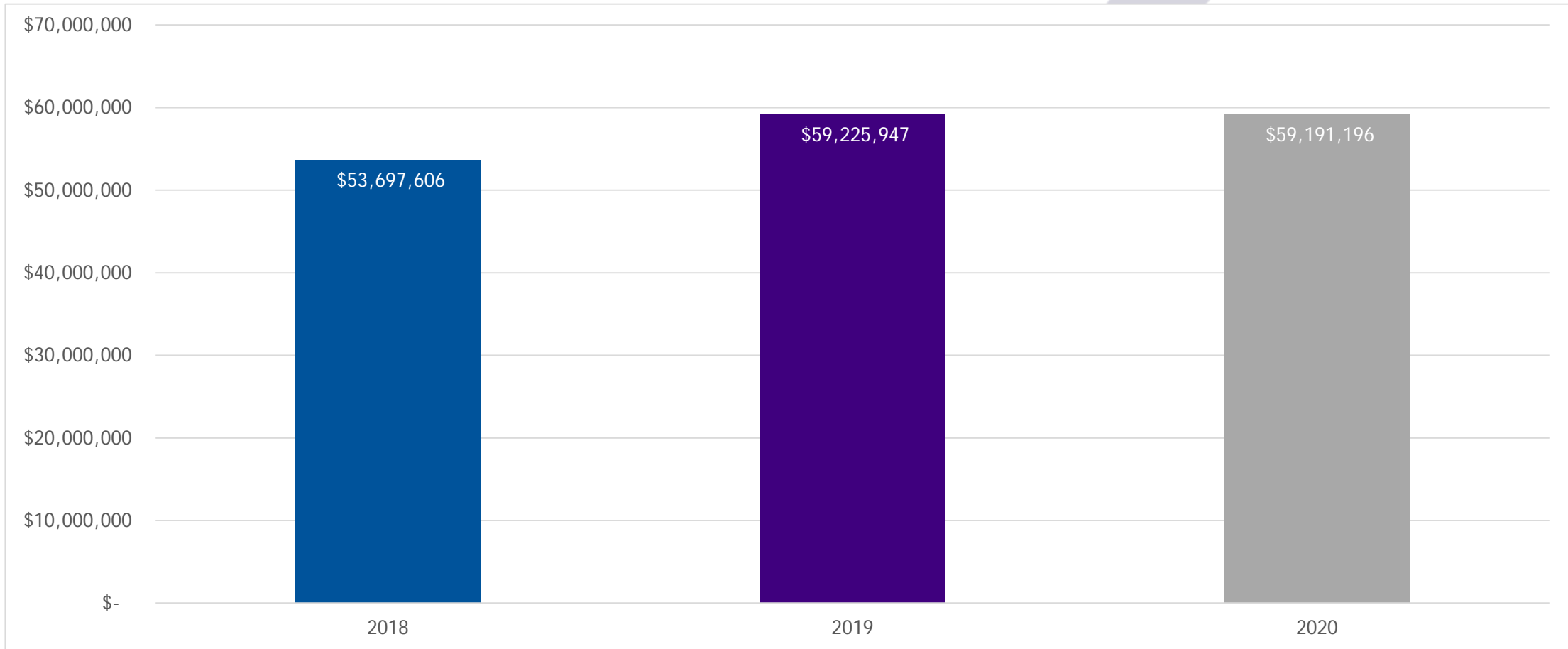
Budget vs. Actual Comparison- General Fund- Fiscal Year Ended June 30, 2020- Budgetary Basis – management eliminated use of reserves for operations, a “credit positive”.

	Budgeted Amounts	Actual Amounts	Variance
Revenues and OFS	\$83,969,725	\$83,472,024	\$497,701
Expenditures and OFU	\$85,459,092	\$82,743,608	\$2,715,484
Use of Fund Balance for Capital	\$1,489,367	-	\$(1,489,367)
Net	-	\$728,416	\$728,416

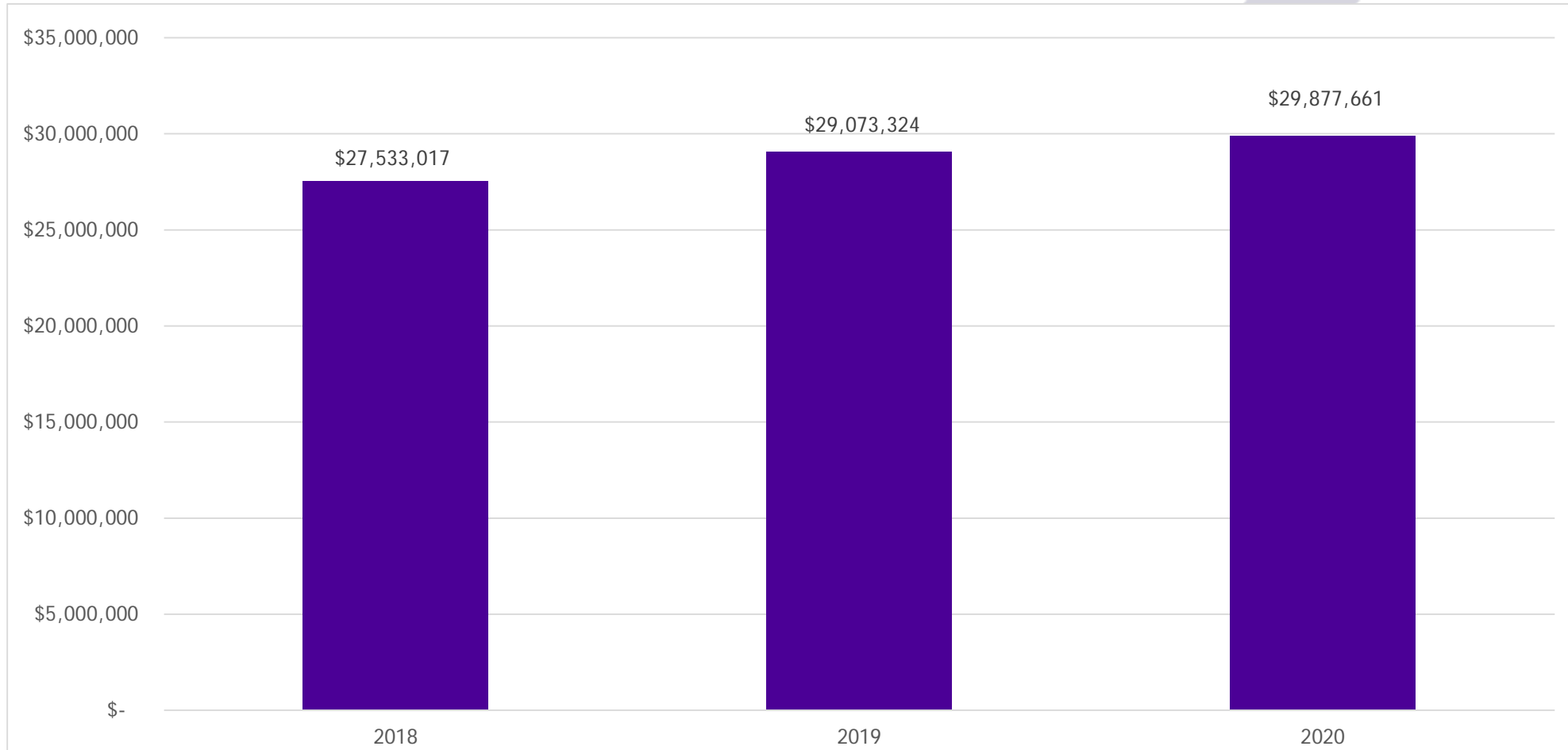
Bonds and Loans Payable- Last 3 years – “manageable”



Net Pension Liability- Last 3 Years- “manageable”



Net OPEB Liability – Last 3 Years – “aggressively funded”



Management Letter Comments

1. Ensure Compliance with Uniform Guidance
2. Re-establish Timely Cash Reconciliations
3. Improve Controls Surrounding Payroll
4. Transfer Funds on a Timely Basis
5. Ensure Motor Vehicle Bills are Issued Timely

Questions and Comments

- ▶ This presentation is intended as a tool to assist the Audit Committee and management in understanding its financial results. The information contained in this presentation should be read in conjunction with the audited financial statements and related disclosures.