



Town of Wayland Massachusetts

Finance Committee

Stephen Curtin
Randall Moore (Chair)
Klaus Shigley
Deborah Vogt

AUDIT COMMITTEE Draft Minutes Wednesday, June 9, 2021 Via Zoom - 7:00 P.M.

Attendance: Stephen Curtin, Randall Moore, Klaus Shigley, (Deborah Vogt joined the meeting at 7:28 PM)

Call to Order: The meeting was called to order by Chair R. Moore. K. Shigley was assigned to take minutes. Mr. Moore reviewed the agenda for the public.

Announcements: Mr. Moore announced that he would be resigning from the Audit Committee effective June 30. The members extended their appreciation for Mr. Moore's many years of service on the Committee.

Public Comment: Mr. Moore asked if there were members of the public who wished to make a statement. The Committee was informed that David Watkins wished to make some comments. David Watkins is a member of the Town's Board of Selectmen, but he indicated that he was speaking solely on his own behalf. Mr. Watkins wished to address the issue of audit scope. This issue is relevant to another item on the agenda namely, the preparation of the RFP for the next audit cycle.

The gist of his comments was that he would like to see the Audit Committee expand the scope of the audits to look not just at effectiveness of Town financial controls, but to audit/study other aspects of the Town's operations to determine whether they could benefit from more efficient or more effective controls. He gave three examples: IT cyber security audits, OPEB benefit audits and Utility agreement audits.

Mr. Shigley asked what the authority for expanding the audit into these other areas might be. Mr. Watkins stated that he thought the word "controls" could be interpreted to justify expanding scope beyond just financial controls.

Mr. Shigley gave three other examples for expanding audit scope: revolving funds, timing and efficiency of Town borrowing, and determining whether the school budgets are audited. These were suggestions emailed to him by Mr. George Uveges, a past member of the Finance Committee.

Mr. Shigley asked whether anyone had ever determined whether the investment policy of the Pension Reserves Investment Trust (PRIT) Fund was suitable for OPEB liabilities? And whether or how the scope of the annual audit could properly be expanded to encompass such a study.

Mr. Curtin asked whether the Audit Committee had a charter that defines the remit of the Audit Committee. Mr. Watkins referred to Town by-laws as the source for expanding the scope of the Audit Committee beyond financial controls. Mr. Shigley added that the Audit Committee website enumerates a list of Audit Committee duties and asked Mr. Watkins whether that list is materially different from what was in the bylaws referenced by Mr. Watkins. Mr. Watkins then quoted a line: “Additionally, the Committee shall concern itself with evaluating the efficiency and effectiveness of town and municipal operation.”

Mr. Shigley then asked how best to utilize such an expanded interpretation for the scope of the audit. Would it be useful to speak with our auditors, Melanson and Heath?

Mr. Watkins agreed and suggested also that the Committee speak with the Town Administrator, perhaps the Selectmen, and deliberate among themselves.

Discuss the timing and the preparation of the RFP to secure auditing services for the next three-year cycle: The Committee discussed the timing of the RFP for audit service.

Mr. Shigley reported on the sequence and timing of deliverables for the last RFP in 2014. The RFP was published on August 26. The deadline for submission was Sept. 30. Deliberations were scheduled to take up to 60 days. The contract was signed on Dec. 15. He also reported that Louise Miller has already retained Melanson and Heath for the fiscal year 2021 audit. Hence the next RFP would be for audit services starting with fiscal year 2022.

Since it would not be feasible to expand the scope for an audit already contracted for, any broader scope could only be introduced for the 2022 audit cycle.

The Committee was encouraged to individually research the issue of expanding the audit, with the aim of deliberating on suggestions at a next meeting to be scheduled for September. It was recognized that because of the timing for the RFP, any expanded scope items might have to wait until the 2023 audit cycle.

Mr. Moore added his strong support for expanding the scope of the audit. He agreed that in his previous 5 years on the Committee the scope had been very narrowly constrained to adhere strictly to financial matters and controls. Among other areas for consideration, he mentioned: operational improvements, diversity, equity and inclusion, making greater use of shared services within town government, and making greater use of consultants whose work product would more than pay for their expense.

Mr. Moore opined that the Melanson Audit had been somewhat “rote” and “repetitive” and short of ingenuity. He supported the preparation of an RFP in August. And he supported redefining the scope of the audit. Mr. Watkins asked if the RFP could be customized to specify minimum years or types of experience. Mr. Shigley responded that the RFP process has a very prescriptive mechanism for scoring the efficacy of the RFP submissions and includes experience as a dimension that gets scored.

Ms. Vogt joined the Zoom meeting at 7:28PM. She had been able to listen to the discussion for roughly 20-25 minutes, but unable to participate until this point in the meeting. Ms. Vogt asked if someone could help her understand better how the RFP process works. What other companies have we used in the past. Does the RFP have to go out to a certain number of companies? Mr. Shigley responded that based on information from Mr. Brian Keveny, he thought there might be roughly 5 respondents to the RFP. The responses to the RFP are then scored independently of the cost. The winning bid looks at both the efficacy of the submission and the cost. And to the extent that the RFP is loaded up with extra scope, then that would be reflected in the cost. He suggested that any ideas for extra scope be homework for the summer. Mr. Moore suggested that the Committee narrow the list of RFPs down to 2 or three of the best submissions and then invite the candidates for a one hour or more presentation before making its final recommendation to the BOS.

Mr. Curtin asked how the audit fees are structured. Mr. Moore indicated it was a fixed fee. That structure has served the Town well, especially when there are issues like the cash reconciliation issue. Mr. Curtin asked if this was typical in other towns. Mr. Moore did not know and suggested we ask the Town Administrator. In any case, the RFP should remain simple.

Mr. Shigley asked whether as part of the RFP process, we could ask for a meeting with the auditor that is ultimately selected and ask for the cost to include an expanded scope item that the Committee had agreed would be worth exploring. Mr. Randall suggested that the Committee could then make the business case to the BOS for such an expanded scope item.

Mr. Shigley summarized the unknowns surfaced during the discussion: what are some appropriate items for an expanded scope audit, and what is the mechanism for getting them into the RFP. Mr. Moore asked Mr. Watkins to raise the scope issue at the BOS. Mr. Watkins said he would raise the issue at the next BOS meeting.

Mr. Watkins left the meeting at 7:40PM.

Discuss and Approve the Annual Report: Mr. Moore put up a screen with a draft of the *Annual Report of the Audit Committee*. Mr. Shigley then offered two suggested edits. Mr. Moore made a motion to accept the report as amended. Mr. Curtin seconded. Motion passed. Vote 4-0.

Meeting Minutes: Review and Vote to Approve, February 22, 2021: Mr. Moore put up a screen with the meeting minutes. There were no edits. Ms. Vogt moved to approve the minutes. Mr. Shigley seconded. Motion passed. Vote 4-0.

Elect Chair for 2022 Audit Cycle: Mr. Moore nominated Klaus Shigley to serve as the next chair. There were no other nominations. Ms. Vogt made a motion to elect Klaus Shigley. Mr. Moore seconded. Motion passed. Vote 4-0. Mr. Shigley expressed his thanks and indicated that he had a personal preference for rotating chairs annually.

Adjourn Meeting: Mr. Shigley moved to adjourn. Ms. Vogt seconded. Motion passed. Vote 4-0. Meeting adjourned at 7:48PM.

Respectfully Submitted,

Klaus Shigley

Documents:

Agenda

Annual Report

Email from Mr. Watkins with attachment of Town Meeting Article from 2012

Email from Town Administrator, Louise Miller