

4/30/20

## **Final Report to the Wayland Board of Selectmen from the Wayland Audit Committee regarding the FY19 Audit Cycle**

### **Background**

- 1) On February 3, 2020, a quorum of the Audit Committee met Alina Korsak from MelansonHeath to review the CAFR and a draft of the Management Letter. Issues regarding Cash Reconciliations, Medical Insurance withholdings and Payroll controls were discussed. Our discussion is documented in the February 3 approved meeting minutes.
- 2) On February 26, 2020, we met with Louise Miller, Town Administrator, to hear additional context and background relating to findings in the draft Management Letter. We agreed to wait until the publication of the Management Letter to issue our final opinion on this year's cycle. Our discussion is documented in the February 26, 2020, approved minutes.
- 3) On April 8, 2020 the final Management Letter with Town's Response was received from Brian Keveny. A copy of this document is posted on the Audit Committee's page.
- 4) We intended to meet as an Audit Committee the week of April 13, 2020, prior to the Board of Selectmen's meeting on April 17, 2020, however no Zoom slots were available
- 5) Randall Moore participated in the April 17, 2020, Board of Selectmen's meeting and explained the background, and more importantly, that the Audit Committee does not yet have a response to what was published.
- 6) An Audit Committee meeting was posted for April 30, 2020.

## **Audit Committee Response to the FY19 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