

Town of Wellesley, Massachusetts

Audit Committee

Minutes of Meeting held at 8:30 am, Sept.11, 2013

In attendance: Michael Young (Chairman), Jack Haley, Ed Nelson, Alan Korpi and Joe Tierney (Members). In addition, Town Official Sheryl Strother was in attendance, along with Michael Nelligan and James Powers, Partners in the firm of Powers & Sullivan, LLC and Todd Jurczyk, Manager in the firm, which is retained to perform the Audit of Town financial statements.

Mr. Young called the meeting to order. Mr. Young opened the Citizen Speak portion of the meeting and noted that there were no citizens who sought to speak. Mr. Young asked for a moment to reflect on the twelfth anniversary of the 9/11 tragedy.

The Minutes of the Mar. 12, 2013 meeting were approved by the Committee.

At Mr. Young's request, the representatives of Powers & Sullivan provided an update on the status of their work on the Fiscal Year 2013 Audit. Draft Audit Reports have been completed the Wellesley Contributory Retirement System and the Municipal Light Plant (MLP). Powers & Sullivan noted no accounting or internal control issues in these audits. The Committee asked for some clarification regarding the footnote in the MLP report discussing future electricity purchase commitments, and Powers & Sullivan will get back to the Committee with further information. The MLP Audit Report has to be finalized by Oct. 31, and the Committee agreed to provide comments to Powers & Sullivan by Sept. 20, 2013. There was a brief discussion of the updated actuarial assumptions which have been incorporated in the Contributory Retirement System draft report.

Powers & Sullivan advised that they have just commenced their field work on the Town's financial statements, and that to date, they are not aware of any material accounting issues for FY 2013. In addition, they have received the data they had requested and as of this date, had not become aware of any matters that might necessitate an out of scope audit project or study.

Powers & Sullivan commented on three site visit which had been made as preliminary work on the FY 13 Audit. They made a site visit to School Administration to review the remediation plans which are being carried out at School Administration to address the internal controls weakness which had been addressed in the FY 2012 Audit. They note that the Schools are implementing some new point of sale technologies and that in general, the entire accounting and administration environment is much improved. There was additional discussion of how School Administration carries out the process of analyzing and budgeting for the capital and normal operating expenses of various programs operated on a "break even" basis, where costs are recovered through charges to students who participate in the programs. The most obvious such program is the school lunch program. The Committee recommended that Powers & Sullivan should schedule a meeting with School Administration so as to obtain a comprehensive update on the remediation plans, and then Powers & Sullivan can provide an update to the Committee.

Powers & Sullivan reviewed the administrative practices related to collecting, counting, depositing and reconciling receipts from the Town's parking meters, including a site visit to the facilities of Republic Parking, the vendor retained by the Town for these activities. Powers & Sullivan noted a control weakness in the process of counting and reconciling the parking meter receipts. Republic Parking and the City of Worcester (which provides facilities for Republic Parking) have agreed to remediate this weakness by installing a camera to record the actions of the individual who conducts the counting and then transfers the cash to the armoured car service for transfer to the bank. After discussion, the Committee noted that the

installation of a camera to facilitate scrutiny of the counting process provides some improvement to the process but suggested that the Town continue to look for a more secure solution to handling cash receipts from parking meters.

Powers & Sullivan also made a site visit to the Treasurer's Office to observe and review the practices employed by the Town to record and account for cash received in the various town programs which operate on a "break even" revolving fund fee-for-services basis. Powers & Sullivan noted that, based on their visit, the internal controls program in place appeared to be adequate. They also noted that the control environment is improved by the fact that most payments to the town were in the form of checks and that some programs are moving to on-line payment facilities. The Committee requested that Powers & Sullivan make a comprehensive list of the various revolving fund programs, review whether the objective of "break even" operations is generally being achieved and provide additional commentary on whether they believe that appropriate internal controls are in place.

The Committee discussed the extended time that has been taken by various town entities to perform final accounting and reconciliation activities for sizeable projects, such as the construction of the new High School and the MLP Administration building. In certain projects, the delay can mean that unspent funds existing at the completion of the project are not able to be designated for other important projects until the final accounting close out is completed. The Committee recommended that Sullivan & Powers address this matter in their Management Letter to the Town.

Powers & Sullivan reviewed the timetable used in the Fall of 2012 to wrap up the Audit. Mr. Young noted that a similar timetable needs to be adopted for the FY 2013 wrap up. He noted that he'll contact Committee members to determine the dates for the appropriate meetings.

Mr. Young opened the floor for the Citizens Speak portion of the meeting, and noted that no one was in attendance who wanted to address the Committee.

Mr. Young adjourned the meeting.