

Audit Committee Meeting

Thursday May 7, 2020

Pam Dukeman, Finance Director	Michael Papetti
Fred Steeves	Kathy Foley, Assistant Treasurer
Susan Flanagan – Cahill	Marie O’Leary, Town Accountant

Also Attending: Renee Davis, Partner and Kathryn Casey, Audit Supervisor from Powers and Sullivan. All attendees participated via Zoom conferencing due to the Governor’s stay at home order.

Student Activity Account Review

The group started by discussing an issue with security of cash related to the middle school student activity funds. Renee Davis agreed to follow up with the Schools Director of Business and Finance to review the issue.

As part of the middle school student activity issue, the group discussed the requirements of fraud notification. Pam stated that the Town provides an annual management representation letter to the audit firm, stating that all instances of fraud have been reported. The letter is currently signed by the Town Administrator, the Finance Director, the Town Accountant, and Assistant Treasurer. Pam would like to expand this and have the School Department and Municipal department heads submit a representation letter to the Finance Director as part of the annual audit. In addition, Renee indicated she would review prior fraud training material to be used for updated training.

Audit Plan Review

Renee Davis from Powers and Sullivan then reviewed the plan for this year’s audit. Due to the COVID-19 pandemic, the initial work is being done remotely, and is proceeding on schedule. Renee then reviewed the roles and responsibilities of the Town and the audit firm, and discussed the schedule for this year’s work.

The auditors are currently working with the Schools Department to determine how and when the student activity fund audits will be done. The auditors prefer to be on site at some point in the process, typically during the summer, and are waiting to see what the availability will be in light of the COVID-19 shut downs.

The Auditors and Audit committee discussed if there were any issues going on in Town that would require additional attention. The COVID -19 pandemic is clearly the largest possible issue. The auditors mentioned that any new GASB pronouncements that were supposed to be implemented

this year have been pushed out a full year to 2021. Due to the changes that were made because of the pandemic, there will be a few items to focus on in addition to their core audit work:

- IT
- Cash
- Controls over assets.
- Federal reimbursement of COVID expenses.
- Review of the impact of COVID on processes and reserves.

As of now, the year-end audit is planned to be on the same schedule, which will be revisited when the timing is closer and any new regulations have been put in place for use of municipal buildings, etc.

Updates

Debt

Town representatives reviewed some current issues that are relevant to the audit. The Town will be selling a BAN for \$3.1M next week, this will include short term debt for the School building project, recent road bond, and the Islington library work. This will be a short term, one year, note.

COVID

Additionally, Pam Dukeman gave an update on the anticipated impact of the COVID 19 pandemic on Town finances. Due to all the long term planning and controls in place, there is not expected to be a significant impact on Town finances for FY20 and FY21. The Town has a very structurally conservative and sound budget.

In FY20, on the Municipal side, there will be additional costs for public safety, IT, and trash/recycling. These increases are expected to be partially offset by reductions in the cost of building operations and travel and training that was canceled. On the Schools side, they will also see increases to IT costs, and are continuing to pay both after school and lunch employees. Again, these are expected to be partially offset by reductions in the cost of building operations. Also, due to this winter incurring lower than anticipated Snow and Ice expenses, that surplus can be used to partially offset some of these increased costs.

The School and Municipal COVID costs could also be eligible for FEMA and State Cares Act funding.

On the revenue side, tax bills are allowed to be paid later, but are still due by the end of the fiscal year. Meals and Hotels tax revenue will be down, but as this is not used for day to day operational costs, this will not create a major impact. Motor Vehicle excise revenue will be unchanged. Additionally, the FY21 budget needs no adjustment. State Aid is expected to be reduced, but that

can be bridged by the Stabilization Fund. The Town may need to have a fall Town Meeting this year. Spring Town Meeting requirements are currently being reviewed by the State and guidance will be coming on how to proceed shortly.

OPEB

Happily, the Town had finished the most recent OPEB revaluation before the pandemic, so that information is updated and available. The Town has made excellent progress with regards to the OPEB liability.

CAFR Award

The Town has received notification that the 2019 CAFR will again be awarded the GFOA Certificate of Achievement Award.

Deliverables (all subject to possible COVID-19 impact):

- Powers & Sullivan audit of student activity accounts during the month of July
- Powers & Sullivan provide draft of student activity accounts audit findings by August 10.
- Powers & Sullivan team onsite for regular audit work for the two week period beginning September 14, 2020.
- Powers & Sullivan provides draft CAFR and any audit alerts before leaving on Friday, September 25, 2020.
- Powers & Sullivan will perform the Audit of Net Pension Liability, and update CAFR accordingly as soon as posted by Norfolk County Retirement System.
- Powers & Sullivan will deliver draft reports for the Town prior to completion.