

Minutes for Audit Committee Meeting of November 15, 2007
Community House
Approved December 19, 2007

Members Present: Ernie Welker – Chairman, Glenn Rosenberg – Vice Chairman, Paul Smith; Absent: Larry Eagan

Others: Representing Scanlon & Associates, the Town's Independent Auditor: Tom Scanlon, Tom Scanlon, Jr., and Greg Winters; also Paul Pasterczyk – Finance Director, Sandy Choquette – Town Accountant, and Paul Santaniello – Select Board Member,

The Chair called meeting to order at 7:16 PM.

FY2007 Audit

The primary purpose of the meeting being to review with the Independent Auditor (IA) its work plan, progress to date and schedule for the FY2007 audit, the Chair invited Glenn, who is the AC lead on the audit, to guide the discussion. Glenn began by mentioning the greater requirements of A133 audits (mandated when Federal grants have been made to the entity), especially with respect to the sufficiency of internal controls and compliance with regulatory requirements and asked Tom to address this aspect of the audit along with providing some specifics about this year's audit in particular.

Tom Scanlon provided an overview of the audit his firm is engaged to perform for the Town, including an A133 audit, which largely relates to grants to the School Dept. He and his colleagues briefly described testing procedures they use to not only confirm reported items, but also to evaluate internal controls. They said they also are using a number of questionnaires to evaluate the financial knowledge of employees and, if necessary, to see they are taught the knowledge needed to meet the new GASB accounting rules. Regarding compliance, this year the IA is concentrating on employee benefits to assure that those entitled to benefits are getting them and those not entitled aren't getting them. Regarding health benefits, Tom said State law requires that employees working 64 hours/month or more must be eligible for health benefits, but not those working less.

Regarding the implementation of MUNIS, Tom said the new system is already helpful and, while not fully implemented, was progressing toward that end. Mr. Pasterczyk said that this is the first time they are going through a complete close-out of the books for a fiscal year and some bugs still are being worked out. He said that Tom Mazza, the new School Business Director, is still in the process of coming up to speed and is fully cooperative regarding MUNIS implementation, which should allow things to go more smoothly in the future. Mr. Santaniello remarked that he hoped all procedures are being documented for reference in future years. Ms. Choquette said everyone in the department is doing so.

As for a timetable, Tom said a draft including financial statements and the management letter, but not the newly required auditor's opinion regarding the sufficiency of internal controls, should be delivered in the first or second week of January. Tom said one reason for the delay in the internal control opinion is that auditors **are** still seeking guidance from the accounting authorities on some aspects of it.

In the context of internal controls, Paul Pasterczyk said a couple of incidents came to light recently that are being looked into. Tom said he would have a role in that. Regarding compliance, Mr. Santaniello raised a question about the budget process for FY08 particularly that the School Committee committed to a teachers' contract when funds were not appropriated or available to pay as the contract calls for. He asked the question, who is looking at this? Tom replied, nobody. He then went on to say that he did an analysis and showed Paul P. that the funds to pay as the contract requires could be found within the approved Budget but would require a reduction in the number of teachers and perhaps others.

There was some discussion about investment policy. The context was that revenue had been higher than earlier estimated due to higher collections on overdue tax bills and higher rates of interest earned on the town's cash from the Treasurer's choice of a new cash investment manager. In light of the highly publicized problems with supposedly safe investments backed by sub-prime mortgages, blamed in part on investors chasing higher yields, questions were raised: Was the new investment manager taking higher risk? Were the investments permitted by the Town's investment policy? Paul Pasterczyk said he would raise these matters with the Treasurer and report back to the AC.

Tom Scanlon made an interesting observation about investment policy, saying that there are opportunities to make money from borrowing as well as investing. His point centered on the timing of when borrowed funds are taken and invested by the town and when interest payments, often lower than interest earned, have to be made. He recommended that this idea be looked into.

Scanlon representatives left at 8:20 p.m.

Other Items

Glenn Rosenberg summarized the Audit Committee's discussion with Finance Committee at the FC's October 24, 2007 meeting regarding the budget presentation format. At that meeting the FC asked the AC to draw up some specific recommendations. The intent of such recommendations would be to improve the transparency and explanations for variances. At this meeting, it was decided that Paul Pasterczyk would send copies of the detailed budget to members of the Audit Committee for review prior to making recommendations to the Finance Committee.

In the absence of Larry Eagan, Ernie led off discussion of the health benefit project by asking Paul P. for a status report. He said the Segal Company has been chosen to perform consulting work to determine the GASB 45 OPEB liability and contract materials had been sent. Not having heard from Segal in 30 days, Paul contacted their offices to inquire about it. Segal said they have no record of receiving contract materials. Paul said the materials were recently sent out again. Start dates will be determined upon receipt of the signed contract. Approximately 60 to 90 days is anticipated for the completion of Segal's analysis.

Ernie reported that the citizen Pension Review Task Force had collected pretty much all the information and documents needed for its analysis and the analysis would begin soon.

Next meeting: Wednesday, December 19th at 7:00PM, Police Station Community Room.

Adjorn: 9:35 PM.

Paul D. Smith
Recording Secretary