

Minutes for Audit Committee Meeting of June 9, 2010
Held at the Fire Department Meeting Room
Approved September 29, 2010

Members Present: Ernest Welker (EW), Chair, Glenn Rosenberg (GR), Steve Kuhn (SK), Ray McCarthy (RM), Jim Moran (JM), Joe Occhuiti (JO) and Jim Shriver (JS).

Members Absent: None.

Others Present: Paul Pasterczyk (PP), Finance Director.

The Chair called the meeting to order at 7:00 p.m. and asked SK to act as clerk of the meeting.

Minutes

After discussion, the minutes of the May 13, 2010 meeting were approved as previously distributed to Committee members.

Audit Correction Report (ACR)

Since the last AC meeting PP, GR and RM appeared before the Select Board (SB) to discuss the development of the Audit Correction Report (ARC), noting that the AC had conducted a preliminary review and would be reviewing it again at its next meeting.

The meeting then turned to a line-by-line discussion of the ACR. The most recent version, including additional input from PP, was distributed at the meeting. GR and JS led the discussion, soliciting comments and suggested revisions. RM projected the ACR onto a screen and made live edits throughout the meeting. A question was raised about School Department involvement. PP reported that he was working with the School Business Manager, Tom Mazza, on school issues as appropriate. A great deal of time was spent discussing the ACR's nine "Issue Descriptions" and "Corrective Measures" with editorial changes being made to many during the course of the meeting. PP updated the Committee on the current status of each of the issues and responded to questions and comments from Committee members. Prioritization of the issues was also discussed and changes made.

In response to a question the Committee agreed that the status reports contained in ACR's submitted to the SB would be those of Town management but that the reports would be submitted to the AC for review and comment in advance. The Committee also discussed on-going follow-up and audit of the issues reported on in the ACR.

RM agreed to distributed the updated ACR immediately following the meeting (a copy of which shall be appended to these minutes).

AC Membership and Vacancies

EW raised several issues related to AC membership and vacancies. JS agreed to file an application as a voting Member. After discussion, JO agreed to apply for re-appointment as an Associate Member because he did not strictly have the specified qualifications for voting Members. EW then led a brief discussion of identifying potential candidates for vacancies on the Committee. JO suggested use of the official Town Street Directory which includes an occupation identifier. At EW's request, JO agreed to go through the Directory to compile a list of residents with occupations suitable for appointment as voting Members.

Other Business

SK updated the Committee on information received from Babson Capital Management LLC on municipal bond analysis that would be put on the agenda of the next meeting for discussion.

EW ended the meeting by thanking the outgoing AC members, JM and RM, for their service on the Committee.

The date for the next AC meeting was left to be determined.

The meeting adjourned 9:03 p.m.

Respectfully submitted,

Stephen Kuhn

Stephen Kuhn

Town of Longmeadow
Audit Correction Report (related to issues identified in the Management Letter)
July 1, 2010 Update

Priority Order	Issue Description	Corrective Measure	Timing	Action Deemed Successful When	Means of Evaluation	Responsible Person(s)	Status
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#1 Comment #09-04 - Departmental Accounting Records

High	Individual depts. were not handling cash/check receipts properly. Inconsistent and ineffective procedures were noted.	Develop & implement uniform policy	Effective 3/8/10	Depts. handling cash/checks properly based on established policy.	Periodic internal audits performed by Town Accountant (1 dept per month). Annual Audit.	Town Accountant Finance Director All Dept. Heads	Changes implemented. On-going evaluation – no issues identified to date
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#2 Comment #09-06 – Supporting Documentation

High	At year end there were several accounting entries that did not contain adequate supporting documentation.	Instruct Town Accountant that all accounting entries to the General Ledger need supporting documentation	Immediate	All accounting entries to the General Ledger have supporting documentation.	Periodic internal audits performed by Finance Director (10 random accounting entries selected each qtr). Annual Audit.	Town Accountant Finance Director	Changes implemented. On-going evaluation – no issues identified to date
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#3 Comment #PY-01 – Review of Payroll Transactions

High	An error in employee pay rates was reported after personnel files were reviewed.	Segregate payroll duties and mgmt to verify pay rates & salary agreements.	Immediate	Payroll duties segregated and mgmt now reviews pay rates & salary agreements.	Internal reviews performed also periodic internal audits (10 random employees selected each qtr). Annual Audit.	HR Manager Dir. School Business Svcs Town Accountant	Changes implemented. On-going evaluation – no issues identified to date
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Town of Longmeadow
Audit Correction Report (related to issues identified in the Management Letter)
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#4 Comment #09-01 – Departmental Receivables

Medium	Not all depts. using MUNIS Software for billing and receivables (i.e. Police/Fire).	Require depts. to utilize MUNIS software for billing & A/R.	Effective 4/1/10	All depts. billings and receivables on the MUNIS software.	Detail accounts receivable and billing information available in MUNIS	Town Accountant Treasurer & Collector All Dept. Heads	Changes implemented.
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#5 Comment #PY-02 – Financial Policies and Procedures

Medium	A comprehensive set of accounting & financial policies and procedures is not complete.	Develop a comprehensive policy and procedure manual	On-going multi-year project	A comprehensive policy and procedure manual is completed	Annual audit	Finance Director	Partially complete. Some policies have been written & posted on shared drive.
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#6 Comment #PY-03 – Risk Assessment

Medium	A periodic risk assessment should be performed to identify, analyze and manage risks related to Town's assets.	Engage 3 rd party to perform evaluation and implement recommendations.	Start date July 2010	Risk assessment complete and action plan developed and implemented	Annual audit	Finance Director All Dept. Heads	Funding for assessment identified. Consultant to commence project July 2010.
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Town of Longmeadow
Audit Correction Report (related to issues identified in the Management Letter)
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#7 Comment #09-02 – School Lunch Program Deficits

Low	School Lunch program has incurred operating deficits for the past two fiscal years (FY 08 & 09). Potential impact on free cash & budgets.	Qtly financial reports will be made to the Select Board & School Comm.	Immediate	Qtly financial reports made to Select Board & School Comm.	Quarterly reports	Dir. School Business Svcs Finance Director	Partially complete. Reports made to School Comm.
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#8 Comment #09-05 – Incorrect Estimates for Estimate Receipts

Low	Actual receipts were lower than budgeted expectations for certain revenue categories.	Finance Director will continue to monitor estimates and report deficiencies to Select Board & Town Manager	Immediate	Aggregate estimated receipt revenue not deficient for 2 consecutive fiscal years.	Monthly reporting (5 th business day following close of previous month)	Finance Director	Reports Completed. On-going evaluation – no issues identified to date
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#9 Comment #09-03- Chapter 90 Transactions in General Fund

Low	CH 90 transactions were being handled in General Fund. Need to segregate these transactions in the Special Revenue Fund.	Move accounting for CH 90 transactions from General Fund to Special Revenue Fund	Immediate	CH 90 transactions recorded in Special Revenue Fund.	General ledger shows CH 90 transactions in Special Revenue Fund.	Town Accountant	Changes implemented. On-going review – no issues identified to date
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