



FINANCIAL AUDIT ADVISORY COMMITTEE

Report

Tuesday, April 23, 2019

Present: Councilor Gentile (Chair), Councilor Markiewicz, Citizen Representative David Spector, and Citizen Representative Tony Logalbo

Also present: Comptroller Sue Dzikowski, Julie Kirrane (Long Range Planning Manager; School Department)

Fiscal Year (FY) 19 Audit Planning

The Committee met with Matt Hunt of Clifton, Larson, Allen, LLC (CLA), the City's external auditing firm, to discuss the upcoming FY 19 audit. CLA started the audit fieldwork this week with the Retirement System, which will include a review of the actuarial evaluation of the pension-funding schedule. The federal grant audit will begin in June and the primary audit fieldwork will start in early October. CLA anticipates presenting the draft reports to the Financial Audit Advisory Committee in December and providing the complete reports in early to mid-January 2020. The Committee expects to meet on Tuesday, October 15 @ 8:15 AM for an update on the audit and on Tuesday, December 17 @ 8:15 AM to review the draft audit reports. Mr. Hunt added that there are no new Governmental Accounting Standards Board (GASB) pronouncements this year or next year. GASB will be issuing a pronouncement in 2021 related to leases.

The Chair asked that the Comptroller check with Chief Financial Officer Maureen Lemieux regarding when she expects to sell bonds. Sometimes there is a benefit to the City in terms of rates if the City sells its bonds earlier. Therefore, the Chair would like to get the audit started earlier to finish it earlier. Mr. Hunt responded that CLA can start whenever the Comptroller is ready. Comptroller Sue Dzikowski is concerned that there will be a learning curve with the new MUNIS Financial Software and does not feel that it is the year to push for a September audit start, as she does not feel that she can achieve the September date. It is a goal for next year. Mr. Hunt stated that most likely the City can do the bond sale with a draft Comprehensive Annual Financial Report and if not, CLA will find a way to complete its work early.

It was pointed out that it may make sense to have CLA on-board for the first MUNIS year-end closing. There is funding to hire CLA Consulting to provide support for the MUNIS implementation and/or give direction with year-end closing, testing, and training. CLA can provide answers to questions related to how to set-up MUNIS, timing, and procedures for the software. CLA Consulting has provided a scope of work to the City for services. CLA Consulting will work with the Comptroller's Office to determine when to start providing services.

Each audit cycle the Committee chooses a school and/or City department for the auditors to visit for a more focused review. The Committee discussed which special projects should be done for

this audit. The Committee opted for a revisit to the Inspectional Services Department to look at zoning violations. The Committee considered whether to audit an activity fund or look at revenue collected in rental fees for school buildings. It was pointed out that the Committee delayed the review of Newton South High School Activity funds last year, as the activity funds administrative was out on special leave. There is reputational risk associated with any issues with the student activity funds. In addition, there is state law that requires School Districts to do an external audit of student activity funds every three years. The Committee settled on a review of the Newton South activity funds this year and will keep the rental revenues in mind for next year. Mr. Hunt and Ms. Dzikowski will further develop the scope of the projects and provide the scope to the Committee for comment.

Re-establishment of the Risk Assessment Monitoring and Compliance Sub-committee

The Financial Audit Committee is supportive of the re-establishment of the Risk Assessment Sub-committee. Committee member David Spector has agreed to chair the sub-committee. Financial Audit committee members will be asked to choose to serve on either the Accounting and Audit Sub-committee or the Risk Management Sub-Committee. There is nothing that precludes members from serving on both committees but there should be at least four members of each sub-committee. Once the membership of the Risk Assessment Sub-committee is determined, a meeting will be set.

Next Meeting

The next meeting of the Financial Audit Advisory Committee is scheduled for October 15, 2019 at 8:15 AM.

Respectfully submitted,

Leonard J. Gentile, Chair