



FINANCIAL AUDIT ADVISORY COMMITTEE

Agenda

Tuesday, February 14, 2017 at 8:15 AM

Room 211, City Hall

Agenda Items

- Review of External Auditor's GAO and OMB Reports and the Management Letter with Responses from the Administration
 - Begin planning the work of the Accounting and Audit Sub-committee
- Determine goals for the year and review the meeting schedule
 - Tentative dates:
 - Tuesday, April 18 @ 8:15 AM (meeting with external auditor)
 - Tuesday, October 10 @ 8:15 AM (meeting with external auditor)
 - Tuesday, December 12 @ 8:15 AM (meeting with external auditor)
- Review and approve the annual report to the Finance Committee

Financial Audit Advisory Committee

2016 Annual Report

February 2, 2017

In December 2010, the Board of Aldermen established a Financial Audit Advisory Committee and it met for the first time in March 2012. The purpose of the Committee is to assist the Comptroller and the Board's Finance Committee in the review of audit and fiscal accountability matters. One of its duties is to report annually to the Finance Committee confirming that its responsibilities have been carried out.

The Committee consists of nine members. In 2016, its membership included the Finance Committee chair (Lenny Gentile) as well as three other Councilors appointed by the President of the City Council (Ruthanne Fuller, Vicki Danberg, and Jake Auchincloss). The President of the City Council, with input from the Board, appoints four citizens of the City with financial expertise (David Spector, Bob Fox, Howard Merkwowitz, and Tony Logalbo). The President of the City Council, upon the recommendation of the Chair of the School Committee, also appoints one School Committee member (Margaret Albright). The President of the Council, in consultation with the Finance Committee Chair, appoints the Chair of this Financial Audit Advisory Committee from among the members of the Board of Aldermen on the Committee (Ruthanne Fuller).

In calendar year 2016, the Committee met three times. In these meetings, the Committee concentrated on (1) meeting with the external auditor to develop the scope of the audit, getting a status update and reviewing the audit and (2) discussing with departments and the Administration findings from the 2015 audit.

In addition, the Accounting and Audit Sub-Committee (Committee Chair: Tony Logalbo; Committee Members: Howard Merkwowitz, Vicky Danberg, Ruthanne Fuller (ex officio)) met once. It reviewed responses by City personnel to specific concerns in the Auditor's Management letter (police details, Planning & Development state and federal grant compliance, personnel procedures and policies, and Water, Sewer, and Stormwater payroll policies and procedures).

The Risk Assessment, Monitoring and Compliance Sub-Committee (Committee Chair: Bob Fox; Members: Jake Auchincloss, David Spector, and Ruthanne Fuller (ex officio)) met three times in 2016. The sub-committee focused on whether to develop more formal risk assessment policies and programs. The genesis of the risk assessment discussion is the external auditor's comment related to risk assessment and asset misappropriation, which appears in the auditor's Management Letter each year. Comptroller David Wilkinson stated that during a discussion

with the external auditor, the auditor stated that he is willing to remove the comment from the letter if the City does not feel it is a priority. The auditor cannot point to another municipality that has developed a risk assessment program. The group concluded that it makes sense to have City management annually meet with the Risk Assessment, Monitoring and Compliance Sub-committee to discuss the nine highest risks to the City, how the City is addressing these risks and evaluate whether there are effective internal controls in place; the Chief Financial Officer and the Comptroller agreed. The City is already addressing risk assessment in a systematic way and looking at ways to minimize operational and financial risk.

In closing, I would like to thank all members of the Committee for their time and insight. The expertise of our citizen members – David Spector, Bob Fox, Tony Logalbo and Howard Merkowitz – has been invaluable. Our work went more smoothly and improved substantively from the wise counsel of David Wilkinson and Shawna Sullivan.

Respectfully submitted,

Councilor Ruthanne Fuller, Chair
Financial Audit Advisory Committee