



Financial Audit Advisory Committee

Report

Tuesday, February 14, 2017

Present: Councilor Ruthanne Fuller (Chair), Councilor Victoria Danberg, School Committee Member Margaret Albright, Anthony Logalbo (Citizen Representative), David Spector (Citizen Representative), and Sue Dzikowski (Comptroller)

Annual Report

The Committee's draft annual report was provided to the Committee via e-mail and as an attachment to the agenda for the meeting. The Committee reviewed the draft report and unanimously approved submittal of the annual report to the Finance Committee of the City Council.

External Auditor's GAO and OMB Reports

The audit of the financial statements and the major federal awards programs did not result in any matters that required findings or reporting. The prior year findings related to the federal programs were all resolved prior to this year's audit.

External Auditor's Management Letter

The Committee reviewed comments in the Management Letter provided by the City's external auditor, Matthew Hunt of Clifton Larson Allen LLP. The Management Letter contains two comments, which were identified last year and resolved. There is one comment from the prior year that is partially resolved and two prior year comments that are not resolved. The letter also contains four new comments. The Management Letter also contains responses from the City's Administration to the comments.

The partially resolved comment relates to the development of formal policies and procedures for the City. Policies and procedures for the Planning and Development Department related to state and federal grant compliance were developed and formal polices related to fraud protection for bank transactions and accounts were established. Personnel policies and procedures were not complete at the end of Fiscal Year 2016. The Auditor is recommending that the Human Resources Department complete their policies and procedures in the upcoming fiscal year. In addition, the auditor recommends that going forward the Administration should continue to develop formal policies and procedures in appropriate departments. There is also a suggestion that all of the policies and procedures should be available on the City's website.

The police detail billing and collection comment remains unresolved. The City is in the process of working on and deciding how to move forward with its financial software. There is a possibility that the City may be switching financial software and a bridge with the detail billing program may not be necessary. It is unlikely that there will be movement on this comment this fiscal year. The Committee would like the Comptroller to provide updates on the financial software issue at each of the Committee meetings going forward.

The development of an investment policy for certain trust funds also remains unresolved from the prior year. It is the auditor's recommendation that the Administration implement formal investment policies for trust funds that are not yet directed by one. There are a number of smaller trusts funds that could be pooled and governed by one policy. The question for the Committee is whether it wants to spearhead an effort to develop policies or encourage the Treasurer to work with the trust funds to create one. The Committee could consider encouraging the creation of a community foundation for some of the school funds. Creating a community foundation requires a significant amount of investigation and discussion. The Treasurer and Comptroller would need to be involved in any discussion related to the trust funds. It would be helpful to have a full listing of trust funds, the current structure of the funds, the assets in each fund, and any current investment policies.

The four new comments relate to personnel forms and payroll of non-school employees, implementation of employee agreements, storm water billing, and the municipal modernization bill. The Committee reviewed each comment and management's response but felt that all the comments needed more detailed discussion with the Administration. The Financial Audit Advisory Committee's Accounting and Audit Sub-committee will discuss the unresolved, partially resolved and newly identified comments and the responses to the comments with the corresponding department heads in the coming months.

Goals and Meeting Schedule

The Committee discussed what priorities that they would like the external auditors to focus on in 2017. Traditionally the Committee, with input from the Comptroller, decides what two departments or areas that the auditor should look at in detail. The Chair suggested that it may make sense for the auditor to return to the Human Resources Department for a deeper look at the payroll system and implementation of agreements. The Committee will make a decision at its next meeting in April. The Committee asked that the Comptroller to think about City and School Departments that it may make sense on which to focus.

The Committee plans to begin evaluating the external audit firm's performance. It would be beneficial to the Committee to get input from City staff that work closely with the auditor. All members of the Committee agreed that the auditor's representation at the Committee meetings has been excellent and noted that the recently retired comptroller was confident in the audit firm.

The 2017 meeting schedule for the Committee is as follows:

Tuesday, April 18 at 8:15 AM
Tuesday, October 10 at 8:15 AM
Tuesday, December 12 at 8:15 AM

The Committee adjourned at 9:30 a.m.

Respectfully submitted,

Ruthanne Fuller, Chair