



FINANCIAL AUDIT ADVISORY COMMITTEE

Report

Tuesday, October 10, 2017

Present: Councilor Fuller (Chair), Councilor Danberg, School Committee Member Margaret Albright, Citizen Representative Tony Logalbo, and Citizen Representative Bob Fox

Also present: Comptroller Sue Dzikowski, Public Schools Long Range Planning Manager Julie Kirrane, and Jim Piotrowski and Matthew Hunt of Clifton Larson Allen LLP

Audit Update

Matt Hunt and Jim Piotrowski of Clifton Larson Allen LLP joined the Committee to provide an update on the external audit. The external audit is starting one month late, as there was a delay in closing the fiscal year. The delay is likely attributable to financial software issues and the transition in the Comptroller position. In addition, the City hired a new Other Post-Employment Benefits (OPEB) actuary and there is a delay in the OPEB valuation. CLA could meet a December deadline for the audit but it would be a crunch. A delay should not cause any issues for the City. The earliest deadline for any of the audit reports is March 31, 2018. Committee members were concerned that a later audit report could be a problem when the City sells bonds in January 2018. Mr. Hunt responded that from a bond sale point, the finance team is including financial advisors and underwriters are generally satisfied with draft financial statements. The draft reports should be available by the first week of January 2018. The Committee members would like the Chief of Staff Maureen Lemieux and the City's financial advisors to clarify that there are no issues with delaying the audit reports.

This year the City is required to implement GASB Pronouncement 74, which requires the City to include the net OPEB liability, the OPEB Trust's net position, the assumptions used to determine the net OPEB liability, a 10-year schedule and other information related to OPEB contributions and reserves as part of the Comprehensive Annual Financial Report (CAFR) footnotes. The City needs to implement GASB Statement 75 next year. GASB 75 requires the City to put the full OPEB liability in the financial statements as part of the balance sheets.

The OPEB Board of Trustees and City officials will discuss OPEB liability and the OPEB discount rate on Wednesday, October 11, 2017. Mr. Hunt inquired if the OPEB actuary suggested early implementation of GASB 75, which is not required until next year. CLA has been advising its clients against early implementation but some actuaries are recommending early implementation. Chair Ruthanne Fuller expects that the topic will be part of the discussion at the OPEB meeting on Wednesday and anticipates that the Council and Administration will discuss the pros and cons of early implementation. The Chair informed the Committee that the Retirement Board lowered the pension discount rate to 7.5% and extended the fully funded due date from 2030 to 2031.

Special Audit Projects

At the last meeting, the Committee determined that CLA should look at athletic fees at the schools and continue testing the City's payroll process. Mr. Hunt requested that the Committee narrow down the scope of testing and inform him which schools the auditors should focus on. The Committee felt it would be beneficial for the auditor to focus on user fees and gate ticket collection for football games at one or both high schools. The Committee discussed the pros and cons of looking at both high schools in the same year. The Committee concluded that it is more valuable to look at both schools. The schools have similar approaches to collecting user fees and revenue but not quite the same. By comparing the auditors finding, it will be easy to determine if one school is using a better method that should be implemented at the other high school. Julie Kirrane informed the Committee that the School Department notified both high school athletic departments to be prepared for visits from CLA. The athletic departments at both high schools have some administrative support, which should make the testing easier for CLA. Mr. Hunt will work with Julie Kirrane to set the dates for that portion of the audit work.

The second proposed project for the audit is payroll testing. The payroll testing will focus on late changes to the City's payroll. The Committee suggested that Matt work with Treasurer Jim Reardon to develop the scope of the testing, as he suggested this specific focus. Mr. Hunt agreed to meet with Mr. Reardon in the near future.

There was a suggestion that the auditor should look at the rental of school buildings as a special project. The auditor cannot include the project this year but it may be a good project for next year.

Trust Funds Update

The Treasurer's Office is looking into each of the smaller trust funds and endowments to look at the best way to move forward with consolidating the funds. Comptroller Sue Dzikowski expects that the Treasurer's Office will be able to provide an update at the Committee's next meeting and will confer with Jim Reardon before the next meeting.

Next Meeting

The next meeting of the Committee is scheduled for December 12, 2017 but it may make sense to reschedule it to January 9, 2017, as the draft reports will be complete and ready for review at that point. The Committee agreed to change the date of the meeting, as long as Maureen Lemieux agrees that there is no problem with a delay in the issuance of the final audit reports.

Respectfully submitted,

Ruthanne Fuller, Chair