

FINANCIAL AUDIT ADVISORY COMMITTEE

Agenda

Tuesday, December 16, 2014 @ 8:15 AM

Agenda Items

- Exit conference with the external auditor - presentation of 06/30/2014 audited CAFR, draft federal single audit, management letter recommendations and conclusions.
- Upcoming Committee and Sub-committee dates
- Review and approve the annual report to the Finance Committee.

Financial Audit Advisory Committee

DRAFT

2014 Annual Report

December 9, 2014

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 confirming that its responsibilities have been carried out.

The Committee consists of nine members. In 2014, its membership consisted of the Finance Committee chair (Lenny Gentile) as well as three other Aldermen appointed by the President of the Board of Aldermen (Ruthanne Fuller, Vicki Danberg, and Scott Lennon). The President of the Board of Aldermen, with input from the Board, appoints four citizens of the City with financial expertise (Gail Deegan, Bob Fox, Howard Merkwitz, and Tony Logalbo). The President of the Board of Aldermen, upon the recommendation of the Chair of the School Committee, also appoints one School Committee member (Margaret Albright). The President of the Board, 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 2014, the Committee met five times. In these meetings, the Committee concentrated on:

- Interviewing three firms and making a recommendation for the external audit firm.
- Reviewing and updating policies for affiliated and discretely presented component units of the City.
- Meeting with the external auditor three times to develop the scope of the audit, get a status update and review the audit.
- Discussing with departments and the Administration findings from the 2013 audit.
- Meeting jointly with officials from the Pension Reserves Investment Management Board (PRIM), the City's pension actuary and the external auditor accounting firm to plan for the implementation of Governmental Accounting Standards Board (GASB) Statement 68. GASB 68 requires the City to include all of its unfunded pension liabilities in the City's Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2015.

In addition, the following sub-committees met:

(1) Accounting and Audit Sub-Committee (Committee Chair: Gail Deegan; Committee Members: Howard Merkwitz, Vicky Danberg, Ruthanne Fuller (ex officio)): This sub-committee met once. It reviewed responses by City personnel to specific concerns in the Auditor's Management letter (student activity funds, police details, the disaster recovery plan, and reconciliation of departmental account receivables). Significant progress was made in all areas.

(2) Risk Assessment, Monitoring and Compliance Sub-Committee (Committee Chair: Bob Fox; Members: Gail Deegan, Tony Logalbo, and Ruthanne Fuller (ex officio)). This sub-committee met four times in 2014. The sub-committee focused on two issues. The primary focus was on a risk assessment policy for cash receipts. Most cash collection takes place in the Treasurer's Office, which has well developed and implemented controls in place. The Inspectional Services Department, Police Department and School Department collect the largest amounts of cash or checks outside of the Treasury. The external auditor reviewed the Police Department controls last year and is reviewing the Inspectional Service Department this year. The external auditor reviews entities from the School Department each year. School Department Director of Finance Sue Dzikowski also reviewed with the Sub-Committee procedures for student activity accounts (the highest risk area), Tiger Loft and Food Services. The Sub-Committee feels comfortable that the School Department has procedures and policies in place for cash/check handling and knows how to use them. The Mayor has created a working group for cash collection and custody and an additional working group for electronic payments. At the appropriate time, Chief of Staff Maureen Lemieux will brief the sub-committee on the work of the two working groups.

The second focus of this Sub-Committee was on developing a multi-year plan for an overall risk assessment and monitoring effort. The group agreed that the most important aspect is cash receipts risk assessment and monitoring. Additional areas should also be reviewed. After discussing such areas as asset misappropriation, compliance, internal audit, financial statement, fraud, security and information technology, the sub-committee asked Chief of Staff and Comptroller David Wilkinson to think about what the City should focus on after cash receipts and to consider if there are departments that the Administration is not satisfied with the level of controls, processes and scrutiny.

In closing, I would like to thank all members of the Committee for their time and insight. The expertise of our citizen members – Gail Deegan, Bob Fox, Tony Logalbo and Howard Merkowitz – has been invaluable. Quite a few staff members have invested considerable time in reviewing and improving the City's internal policies and procedures. Our work went more smoothly and improved substantively from the wise counsel of Sue Dzikowski, David Wilkinson, and Shawna Sullivan.

Respectfully submitted,

Alderman Ruthanne Fuller, Chair
Financial Audit Advisory Committee