

FINANCIAL AUDIT ADVISORY COMMITTEE

Report

Thursday, January 10, 2013

Present: Alderman Fuller (Chairman), Alderman Gentile, Alderman Danberg, Robert Fox, Tony Logalbo, Gail Deegan, and Howard Merkwowitz

Also present: David Wilkinson (Comptroller), Sue Dzikowski (Director of Finance; School Department), and Richard Lipof (Member of Newton Farm Commission)

Investment Policy

The Committee reviewed the draft Investment Policy language proposed by the Investment Policy Ad Hoc Sub-committee. The current policy, created in 1991, is a solid and strong policy and has served the City well. The new draft policy does not contradict the original policies but it is more expansive and inclusive.

The Comptroller and Treasurer/Collector are satisfied with the draft policy and are comfortable meeting all reporting requirements called out in the draft policy. There was some concern that there was no collateralization requirement. It was explained that there was substantial discussion at the sub-committee level and the majority of the members felt that any collateralization requirement should be left to the discretion of the Treasurer/Collector. There was a question of whether the draft policy addressed the external auditor's recommendation to create a financial policies and procedures manual. The external auditor has not specifically been asked this question but the Comptroller will ask via e-mail and ask that the auditor respond during the auditor's presentation to the Finance Committee. The Committee suspected that the Investment Policy only partially addresses the auditors concern.

As the Committee felt that the proposed Investment Policy language was appropriate, a docket request will be filed for Board of Aldermen acceptance of the proposed policy.

Whistleblower Policy

Although it is standard for municipalities to have a Whistleblower Policy, the City does not have one. Therefore, the Human Resources Director Dolores Hamilton and City Solicitor Donnalyne Khan developed a policy with input from the Risk Assessment, Monitoring & Compliance Sub-Committee. The proposed Whistleblower Policy provides employees with a process for reporting illegal or unethical behavior by a work associate. In addition, it provides the reporter with protection from retaliation.

There are a variety of reporting options available to the reporter from reporting directly to a supervisor or department head to confidentially reporting via the internet. The City will investigate all complaints including any made anonymously. When the City completes the investigation, it will inform the complainant, if possible, of the results.

The Committee reviewed the policy and suggested two changes to the language under the reporting section of the draft policy. The Committee was concerned that the Mayor did not receive a report regarding complaints. The Committee agreed that the reporting section should be changed to the following language: “jointly report to the Mayor and the Financial Audit Advisory Committee.” In addition, there was concern that it could be necessary for the City Solicitor and Human Resources Director to report immediately regarding a complaint if there was potential that the complaint could result in a major investigation or scandal for the City. The Committee agreed that the words “or sooner when necessary” should be added after the words on a quarterly basis.

The Committee then recommended that the draft Whistleblower Policy be sent to the Finance Committee for further review and acceptance. The City Solicitor and Director of Human Resources will be asked to review the additional policy language and comment before the Finance Committee discusses the draft policy.

Audits for Discretely Presented Component Units

The City’s audit includes three organizations that are currently discretely presented component units of the City. The three organizations are the Commonwealth Golf Course, Newton Community Farm, and Newton Community Development Authority. It is likely that the Newton Community Farm can be excluded from the City’s Comprehensive Annual Financial Report (CAFR) and, therefore, the external audit. Exclusion of Newton Community Farm, Inc. would not make a material difference in the City’s audit. The Newton Community Farm is a non-profit organization that is licensed to operate on the City owned land known as the Angino Farm property. The City accounts for the value of the farm property and any improvements made to the structures separately in the CAFR.

Farm Commission Member Richard Lipof stated that Newton Community Farm, Inc. spends approximately \$6,000 on an annual audit each year and it is becoming a bit of a financial burden. The Farm fundraises in order to raise the money needed for the audits. Newton Community Farm reported revenues of \$157,254 and expenses of \$147,744 in the last audit. It seems ridiculous to require an audit on such a small amount of money and the cost of the audit makes a significant impact on Newton Community Farm, Inc. annual budget. Mr. Lipof stated that the Farm Commission would provide an annual financial report to the City, if Newton Community Farm were excluded from the CAFR.

The Committee asked that Comptroller David Wilkinson contact the external auditor to confirm that the City can exclude Newton Community Farm, Inc. from future CAFRs without an impact on the audit opinions. Mr. Wilkinson has since contacted the auditor, who agreed that Newton Community Farms is immaterial to the City’s financial statements and can be excluded from future CAFRS.

The Committee felt that it would be appropriate to understand all of the external financial components of the City. The Risk Assessment, Monitoring & Compliance Sub-Committee will delve into the external components this year.

Fiscal Year 2012 External Audit

The Finance Committee of the Board of Aldermen will be discussing the external audit with Auditor Chris Rogers on January 14, 2013. The Financial Audit Advisory Committee is invited to attend and discuss the audit.

Annual Report to the Finance Committee

The Committee reviewed the draft annual report, which was attached to the agenda. All members agreed that it should be presented to the Finance Committee.

Goals and Calendar for 2013

A draft calendar was provided with the agenda. All of the proposed dates seemed to work for the Committee members. The Committee discussed possible goals for each sub-committee except the Investment Policy Ad Hoc Sub-committee as their work was substantially completed with the updated Investment Policy. The Chair will provide a 2013 Work Plan for the committee and sub-committee.

The Committee adjourned at 9:35 AM.

Respectfully submitted,

Ruthanne Fuller, Chair