

FINANCIAL AUDIT ADVISORY COMMITTEE

Agenda

April 3, 2012 at 8:30 AM

Room 222, City Hall

- Review Work Plan for 2012
- Discuss extension of auditor's contract for one year
- Finalize Committee's calendar for 2012

Handouts:

Draft Work Plan

Comptroller's Recommendation to Extend Contract

Draft Calendar

Work Plan for the Financial Audit Advisory Committee

DRAFT as of March 19, 2012

Establish four sub-committees.

Typically, policies will be drafted by City staff, reviewed by the Sub-Committee, vetted by the Auditor, reviewed by the Financial Audit Advisory Committee and forwarded to the Finance Committee.

Consider asking college students, other applicants to the Financial Audit Advisory Committee and residents with expertise to help the sub-committees.

1. Accounting and Audit Sub- Committee

A. Review Responses by City Personnel to Specific Concerns in the Auditor's Management Letter

2011 Management Letter Concerns:

Water and Sewer Billings
Newton Community Development Authority
Police Details
Student Activity Funds
Unclaimed Checks
Old Outstanding Checks
Bank Account Reconciliations
Disaster Recovery Plan
Test Database

B. Prepare for Accounting and Financial Reporting Requirements, including Long-Term Liabilities

- What are the potential impacts accounting and financial reporting requirements?
- How should Newton prepare for both the reporting and financial implications?

Possible Committee Members: Gail Deegan (chair), Howard Merkowitz, Vicky Danberg, Ruthanne Fuller (ex officio)

2. Internal Controls & Financial Policies and Procedures Sub- Committee

A. Focus for 2012: Cash Management (Receipts and Disbursements)

Review work by City Management as they:

- Do a broad inventory of where cash (currency (bills and coin), checks, electronic payments) is handled currently, current procedures, current policies, current monitoring processes
- Research best practices in other municipalities or the private sector
- Prioritize: determine in what order to do the work, create a work plan and calendar

- Do detailed investigations (interviews and documentation) in order of priority
- Develop policies, procedures, and monitoring processes to insure accurate financial reporting and minimize misappropriation

Possible Committee Members: Tony Logalbo (chair), Scott Lennon, Ruthanne Fuller (ex officio).

3. Risk Assessment, Monitoring and Compliance Sub-Committee

A. Initial Focus: Internal Whistleblower Policies and Procedures

Review work by City Management as they:

- Develop a policy
- Develop safeguards for employees
- Determine who receives initial reports
- Determine procedures for how reports of concerns are followed up

Possible Committee Members: Bob Fox (chair), Gail Deegan??, Applicants to the FAAC?, Ruthanne Fuller (ex officio)

4. Investment Policies Ad Hoc Sub- Committee

A. Investment policies for short-term cash, medium-term (e.g., 6 months – 1 year) cash, and endowment funds

Work with City Management as they:

- Inventory where such funds are located, the current amounts and (if growing substantially) in the future, current investment policies and vehicles, and decision making process
- Consider options for alternative investment policies and processes for making investment decisions (e.g., establishing an Investment Advisory Committee, having PRIT manage the OPEB funds, pooling endowment assets for investment purposes, etc.)
- Recommend investment policies and procedures

Possible Committee Members: Howard Markowitz (chair), Lenny Gentile, Matt Hills, Applicants to the FAAC?, Ruthanne Fuller (ex officio)

Recommendation on 1 year extension of Independent Audit Contract

March 15, 2012

In fiscal year 2004 the Board of Aldermen engaged the public accounting firm of Sullivan, Rogers, and Company to provide independent financial audit services for fiscal years 2004 - 2008.

During fiscal year 2008, but prior to the start of the audit, the Board of Aldermen voted to extend the contract for an additional five fiscal years. I believe that the intent at the time was to extend for five years beyond the 2008 ending date of the original contract, but what we actually did was to extend for a five year period, beginning in fiscal year 2008. As a result our current agreement with our auditors ends with the completion of the June 30, 2012 audit.

In order to allow the new Audit Advisory Committee at least a year of time before we need to go through an audit procurement process and eliminate the possibility of a 2013 audit fee increase, Sullivan, Rogers and Company are willing to extend our current agreement (at the existing fee arrangement) through the June 30, 2013 audit.

For the reasons noted above and the fact that Sullivan, Rogers and Company continue to provide Newton with exceptional services, at a reasonable fee, I would recommend that the City extend the current agreement until the completion of the June 30, 2013 audit.

David Wilkinson, Comptroller
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Financial Audit Advisory Committee

DRAFT Calendar for 2012 as of March 26, 2012

Tuesday, April 3 at 8:30 a.m.:

Meet to:

Review work plan for 2012

Discuss extending the Auditor's contract for one year (currently ends this calendar year)

Finalize Committee's calendar for 2012

Tuesday, April 17 at 8:00 a.m.:

Meet with Auditor prior to field work to:

Have the Auditor provide an overview of the work done

Review Committee goals for the audit and expectations for the auditors

Get feedback from auditor on Committee work plan

Have the auditor alert the Committee to any new issues or regulations

Wednesday, May 23 at 8:30 a.m. will NOT work; new proposed date: Wednesday, May 30 at 8:30 a.m. (tentative):

Meet to review work plans of the Subcommittees

Thursday, June 14 at 8:15 a.m. OR Thursday, June 21 at 8:15 a.m. (tentative):

Meet with appropriate City Personnel to receive a status report on issues in the Management Letter

Review progress on Cash Management work

Summer:

Sub- Committees meet

Friday, September 21 at 8:15 a.m. (tentative):

Receive a status report on issues in the Management Letter from City Personnel

Review progress on Cash Management work

Review work by the other Subcommittees

Tuesday, October 9 at 8:00 a.m. (tentative):

Committee meets with Auditor to receive a status report

Thursday, December 13 at 8:00 a.m. OR Thursday, December 6 at 8:00 a.m. (tentative):

Committee meets with Auditor for Exit Conference*

Review progress on Cash Management work

Review work by the other Subcommittees

*At the end of this meeting, go into Executive Session with the Auditor without City employees