

**Financial Audit Advisory Committee
Minutes of Meeting on May 16, 2018**

The Financial Audit Advisory Committee (FAAC) met at 8:30 AM in the Conference Room at 141 Keys Road, Concord, Massachusetts. Notice of the meeting was duly filed with the Town Clerk, Town of Concord, Massachusetts.

Members present: Michael Lawson, Select Board designee; Carol Wilson, citizen representative; Wally Johnston, School Committee designee; Thomas Piper, citizen representative; Wendy Rovelli, Light Board designee; and Arthur Fulman, citizen representative.

Others present: Ian Rhames, District Accountant, CPS/CCRS; Sara Corduck, Melanson and Heath Audit Engagement Manager; Mary Barrett, Town Accountant; Malysa Simard, Finance Assistant; and Karlen Reed, LWVCC's Light Board observer.

Chairman Lawson called the meeting to order at 8:31 AM.

Item 1: Approval of minutes, meeting of April 4, 2018

Upon a motion by Wally Johnston and seconded by Arthur Fulman and Carol Wilson, the minutes of April 4, 2018 were approved. Michael Lawson abstained as he had not been able to attend that meeting.

While he was not seeking a change in the minutes of an earlier meeting, Thomas Piper clarified that his primary concern with respect to approval of payment for unused vacation time by the School Committee was one of process and not assignment of authority. Mr. Piper requested that today's minutes should reflect this.

Item 2: FY18 Audit Planning Discussion –Melanson & Heath

Sara Corduck indicated that preliminary field work is scheduled to begin in early June with essentially the same team as last year. The biggest issue for all will be implementation of GASB 75, which requires additional actuarial review and testing. While nothing has been set as yet for the School District, she anticipates this to be on a similar schedule as last year. If the Town's actuary can get his part complete and provide data by mid-November, it should be possible to wrap up in December.

Mary Barrett reported that Kerry Lafleur has been in contact with Larry Stone, the actuary, to make sure he understands the importance of timely completion. Noting the change in GASB standards, Mr. Lawson suggested that getting information to Mr. Stone sooner would be helpful, in case he again becomes overloaded with work for multiple clients.

Item 3: Status of 2017 CMLP Audit

Staff turnover at the Light Plant continues to complicate completion of the Light Plant audit and related reports. Ms. Barrett reported that Ms. Lafleur will be meeting with Dave Wood and other key people to discuss concerns and possible steps that might be taken to move the process along.

Mr. Lawson reported that the Light Plant faces complicated and challenging decisions on its pricing structure. On the one hand, there is a desire to promote energy conservation, but use of electrical power offers advantages over many other energy sources in terms of greenhouse gas emissions. He then urged others to attend an upcoming Light Board meeting where these matters will be discussed.

Item 4: Further Discussion on IT Risk Assessment

Mr. Lawson has raised the general issue of IT risk exposure with Mass Municipal's Fiscal Policy Committee, of which he is a member. He plans to propose that there may be a benefit in beginning their evaluation with smaller communities and consider what steps they might take to deal with such risk.

Ian Rhames reported that Peter Kelly of the District's IT Department would welcome the opportunity to attend a future meeting to discuss the matter from the School's perspective, as Mark Howell had recently done for the Town. Mr. Johnston suggested that with Jared Stanton starting soon as the Schools' new Director of Finance and Operations, it could be helpful to include the topic in his initial meetings with Ms. Lafleur. While it is recognize that the systems and applications differ widely, risks to data integrity and security apply to both and policies should be similar. Mr. Johnston noted that security considerations relate to protection from a breach, but also data recovery.

Carol Wilson added that her concern is not what software is being used, but that sensitivity to how data is protected should be a top priority, pointing out that security of employee personal data is just as important as student information.

The Committee's discussion moved on to a letter to be drafted by Mr. Lawson and addressed to affected School and Town officials. It was generally agreed that the letter should not be about finding fault, but rather focus on exploring what steps are currently being taken in terms of policy and practice that might later lead to shared recommendations.

Item 5: Other Business – term of Auditor's Contract

At Mr. Piper's request, the Committee took up discussion of the process and authority to appoint the external auditor. (A listing of excerpts from multiple sources had been assembled by Mr. Piper and was distributed to members with the agenda packet.) In light of guidance from various agencies, particularly the Division of Local Services that suggests the appointing authority should be separate from those who will be the subject of the audit, Mr. Piper questioned the current process whereby the Town Manager selects the auditor. Mr. Piper asked that the Committee consider making a recommendation that it

review potential candidates and recommend an auditor to the Select Board for their decision. Arthur Fulman suggested that such a change could require a revision to the Town Charter as it gives the Town Manager authority in the award of all contracts on behalf of Town departments.

Ms. Wilson, who served along with Mr. Piper and others on the Town Governance Study Committee, commented that the group did not recommend revision to the Charter in this regard. Rather she recalls the consensus was that the Town Manager could make the choice without bias and that creation of the FAAC, which was a recommendation, has provided a check and balance that did not previously exist.

Mr. Rhames and Ms. Barrett pointed out that Chapter 30B does not require towns to put auditing services out to bid, there are a limited number of firms in the position to provide such services, and Melanson & Heath does change the working team periodically. Nevertheless, both agreed that reviewing alternatives from time to time is good practice.

Mr. Piper clarified that his concern is primarily with independence and accountability for the decision. After further discussion, Mr. Lawson agreed to consult with the Town Manager and Superintendent, then with Town Counsel before bringing the topic back to a future meeting.

Item 6: Citizen comments

Referring to the earlier discussion on IT Risk Assessment, Karlen Reed recommended considering a policy on reporting a breach, i.e. to who it would be reported and, at least at a high level, a recovery plan. She also supports addressing the question of independence in selection of the auditor before it becomes an issue and agrees that getting a legal opinion from Town Counsel is a good step.

Following up on a question raised at a previous meeting concerning an appropriate level of cash to be held by CMLP, Wendy Rovelli reported that a consultant had been engaged.

Noting that this will be a transition year for some seats on the FAAC, Mr. Johnson recommended that he remain on the Committee for another year, with fellow School Committee member Bob Grom as an alternate. If that's acceptable, Mr. Grom would be better prepared to fill the role a year later. Mr. Lawson pointed out that Mr. Grom would not be eligible to vote in Mr. Johnston's place, but would be welcome as an observer.

Item 7: Adjourn

There being no further business, the meeting adjourns at 9:34 am.

Documents distributed or referred to during this meeting:

- Draft Minutes of April 4, 2018
- "Responsibility for the Selection of External Auditor", handout from Tom Piper.

