

**Financial Audit Advisory Committee
Minutes of Meeting on July 30, 2018**

The Financial Audit Advisory Committee (FAAC) met at 8:30 AM in the Conference Room at 141 Keyes 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; and Wendy Rovelli, Light Board designee

Members absent: Arthur Fulman, citizen representative.

Others present: Scott McIntire, Partner, Melanson Heath & Company; Ian Rhames, Accounting Officer, CPS/CCRSD; Peter Kelley, IT Director, CPS/CCRSD; Ed Boyd, Auditor, Melanson Heath & Company; Jared Stanton, Director of Finance & Operations, CPS/CCRSD; Kerry Lafleur, Finance Director; Mary Barrett, Town Accountant; and Malysa Simard, Finance Assistant.

Chairman Lawson called the meeting to order at 8:30 AM.

Item 1: Approval of minutes, meeting of May 16, 2018

Upon a motion by Carol Wilson and seconded by Wally Johnston, the minutes of May 16, 2018 were approved.

Item 2: FY18 Audit Planning Discussion, CCRSD – Melanson & Heath

Scott McIntire introduced Ed Boyd, who will serve as Audit Manager. Mr. Boyd reported that the process will be similar to that of prior years, with conversations around risk assessment beginning this week. This will review potential areas of focus and any significant changes made or contemplated, noting that recent transitions in certain key positions makes this a particularly opportune time to undertake this discussion. Field work will be expected to be performed in late in October. (Wally Johnston then introduced the District's new Director of Finance and Operations, Jared Stanton.) Mr. Boyd continued his overview by highlighting the impact of GASB 75, which will result in the full OPEB liability being reported and, in turn, will require placing a greater emphasis on looking at core components and underlying variants

In answer to a question from Carol Wilson, Mr. Boyd stated that their audit team will include 4 people, one of whom will be new to this assignment. While keeping the team consistent can avoid "retraining", Mr. McIntire pointed out that bringing in an individual with a fresh perspective has advantages as well and helps to maintain objectivity. Conversation moved on to how and to whom any negative findings are reported. Mr. Boyd indicated that whether an issue appears in the management letter will depend

upon its nature and magnitude, while other matters may be communicated and discussed in a less formal manner.

Item 4: Status of 2017 CMLP Audit

(Agenda item 4 was taken out of order for convenience of the Melanson Heath representatives.) Mr. McIntire has been in contact with Light Plant staff and its “consulting auditor”. A preliminary trial balance has been received. While some journal entries still need to be made concerning capital assets that lagged last year, results “look good” and appear to be consistent. The engagement can get underway as soon as CMLP’s final trial balance is available. Mr. McIntire expects the Financial Statement to be available for the Committee’s review in the fall.

Thomas Piper noted that CMLP’s capital assets tracking was an issue last year as well. Mr. McIntire responded that while capital asset accounting had been done well for many years, staff turnover had resulted in some gaps and delays. Kerry Lafleur indicated that CMLP has taken steps to fill related positions, but has also contracted with a consulting auditor to assist in the interim. This individual is also working to prepare information in CMLP’s current software for transfer to new software that will be brought online over the next several months.

With thanks from Michael Lawson, Mr. McIntire and Mr. Boyd left the meeting.

Item 3: Further Discussion on IT Risk Assessment, CCRSD

Peter Kelley, IT Director for Concord Public Schools and the Concord Carlisle Regional School District, explained that even though an independent audit of the IT systems has not occurred during his time with the District, significant steps have been taken to improve security and recovery of data, should a problem occur. Backups occur several times a day and are held at Ripley. There is currently a disaster recovery site via real time replication at the high school and he would like to add another at Willard Elementary School. Upon the suggestion by committee members, Mr. Kelley said, while establishing a third site that would be remote to Concord could be ideal, there is no current plan to pursue that.

Mr. Kelley then reviewed in some detail the various software solutions that have been employed and/or that are currently being brought into service. Perhaps more important is that, with two network engineers now on staff, they are able to tightly define access permissions for individual users and react to real time alerts when a threat is detected. Anyone attempting to access the network that is not recognized as a known staff member or student is directed to a restricted guest account. As a further example of protecting confidential student data, Mr. Kelley explained that teachers may request and receive only information that is relevant to their particular role with regard to a student. He also talked about how passwords must be structured and that they are changed periodically.

Ms. Wilson brought up the question of insurance coverage, saying that recovery of lost data is one thing, but liability for a leak of sensitive personal data can be very significant as well. Committee members suggested examining contracts with software and IT service providers as well as reaching out to other schools or institutions such as Emerson Hospital to see what they might be doing in this regard. It was asked if it could be beneficial to bring in a third party to evaluate system security. Mr. Kelley would not object, but thought we would find that what the Concord schools are doing already is high level compared to other districts.

Item 5: Other Business

Following up on a discussion at previous meetings, Mr. Piper distributed material he had assembled on “Engagement of External Auditor”. The material included excerpts from the FAAC charge and diagrams of what he saw as three possible routes by which an audit firm might be selected and appointed. Discussion among Committee members ensued around the meaning and intent of certain words and how the process could run while involving the Town Manager, Superintendent of Schools, Finance Director(s) Select Board, School Committee(s) and the FAAC.

Wishing to move towards closure and resolution to the topic, Mr. Lawson asked Mr. Piper to bring back a formal memo that lays out what he would like to see done. Mr. Piper agreed to prepare such a memo and Mr. Lawson will add it to the agenda for the next meeting.

Item 6: Citizen Comments

There were no citizen comments

Item 7: Adjourn

The next meeting date was set for September 18th with agenda items to include Thomas Piper’s memo, an update on the CMLP audit, and further discussion on risk assessment.

Upon a motion by Carol Wilson and seconded by Wally Johnston, the meeting was adjourned at 10:10 am.

Documents distributed or referred to during this meeting:

- Draft Minutes of May 16, 2018
- “Engagement of External Auditor”, handout from Thomas Piper