

**Financial Audit Advisory Committee**  
**Minutes of Meeting on September 18, 2018**

The Financial Audit Advisory Committee (FAAC) met at 8:00 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: Wally Johnston, School Committee designee; Arthur Fulman, citizen representative; Thomas Piper, citizen representative; and Wendy Rovelli, Light Board designee. Michael Lawson, Select Board designee and Carol Wilson, citizen representative arrived at 8:30

Others present: Scott McIntire, Partner, Melanson Heath & Company; Ian Rhames, Accounting Officer, CPS/CCRSD; Mary Barrett, Town Accountant; Jon Harris, Budget & Purchasing Administrator; Mark Howell, Chief Information Officer; Dan Sullivan, Principal at Clifton Larson Allen; Malysa Simard, Finance Assistant; and Karlen Reed, LWVCC's Light Board observer.

In the absence of the Chair, Arthur Fulman called the meeting to order at 8:16 AM.

**Item 1: Approval of minutes, meeting of July 30, 2018**

Upon a motion by Wendy Rovelli and seconded by Thomas Piper, the minutes of July 30, 2018 were approved.

**Item 2: Review of 2017 draft Financials for CMLP**

Scott McIntire introduced discussion of the CMLP audit and item 3, which will cover both the Town and CCRSD, as "updates". They have received virtually all of the necessary material, however the auditors still need to complete their analysis and review results with Light Plant staff. Capital assets was the last piece received and it took some time to reconcile these and cash balances between CMLP and the Town's general ledger accounts. While there were no significant variances, there were some timing issues and staff has worked effectively to address these. He does not envision the need for any restatements and anticipates being able to present a final draft to the Committee by mid-November.

Looking forward to next year, Mr. McIntire anticipates being able to begin work on the CMLP audit for the year ending 12/31/18 sometime in March.

After some discussion, it was decided to schedule the Committee's next meeting for November 13<sup>th</sup> to review CMPL's Financial Statements and Management letter. Wendy Rovelli accepted the assignment to work on a projected schedule for Committee Meetings for the coming year.

(Michael Lawson and Carol Wilson arrived as discussion of item 3 was beginning and Mr. Fulman took time to fill them in before turning the meeting over to Mr. Lawson.)

### **Item 3: Status Update: FY18 Town Audit; FY18 CCRSD Audit**

Mr. McIntire reported that the actuary is scheduled to meet with the Retirement Board on September 25<sup>th</sup> and also now has the final census reporting data. He plans to meet with Kerry Lafleur to determine which measurement date she would prefer be used for calculating OPEB liability. They are able to go as far back as 12 months, in which case it would be 6/30/17, which may be beneficial to the actuary's work, or they can opt to use the subject year-end date of 6/30/18.

Mr. McIntire anticipates a relatively short turn around on Town and School audits, with some preliminary field work already done. He believes they could be ready to review both in December, but recognizes that the Committee generally prefers to take them up separately as this allows for a more thorough discussion. With a 12/31/18 deadline for filing the Town's Comprehensive Annual Financial Report, it was decided to cover the Town at a meeting on December 10<sup>th</sup> and CCRSD in January.

### **Item 4: Continued discussion regarding IT Risk Assessment – presentation by CLA**

Mr. Lawson introduced Dan Sullivan, pointing out that the Committee has spent time in recent meetings trying to understand how and in what manner it should concern itself with the integrity of the underlying data and IT systems. As part of this continuing discussion the Committee has met with IT officers for the Town and Schools, both of whom have agreed that an external review could be beneficial. At Ms. Lafleur's suggestion, Mr. Lawson contacted Dan Sullivan of Clifton Larson Allen, a firm which offers review and analysis of an organization's information systems and procedures.

Mr. Sullivan characterized the services offered by his firm as not unlike an audit of financial systems, but focusing on assessment of risk associated with an organization's IT systems. As noted on the handout provided at the meeting, this can include assessment of information security, network and application penetration testing, and internal network vulnerability testing.

At this time Mark Howell notes that the last comprehensive review was about seven years ago, before he was hired as CIO, and that it resulted in an extensive report with many recommendations for upgrades and other changes. Most of these have been implemented, but as the environment continues to change, he and his staff take more specific and focused steps such as additional spam filters, URL restrictions, active filtering, limiting access based on individual user credentials, upgrades to software and firewalls, and staying up to date on the patching regime.

Mr. Howell described the challenges of working with systems that differ widely in function, from financial and HR management, to community service and public access, to systems that oversee and control electric and water utilities. When asked whether the former CCTV becoming a Town department introduces another area of IT risk, Mr. Howell answered, yes, as would be the case with any new operation or merger, and that a separate internal vulnerability assessment could be in order.

Replying to a question about how he stays up to date with best practices in the field, Mr. Howell indicated that various government and professional agencies set standards, share information, and offer programs.

Mr. Fulman asked who has authority to check on the CIO and Mr. Howell indicated that the Town Manager, through an outsourced management system, can initiate changes to the firewall protections if anyone, including the CIO must be blocked.

Carol Wilson expressed appreciation for the various protocols Mr. Howell had described, but asked about security of the data; most specifically with concern as to whether backup procedures and storage are adequate. Mr. Howell replied that the main servers operate at the Public Safety building but are also mirrored on servers at CMLP. Daily backups of servers identified as critical are transmitted to a location in New Hampshire, but as yet there is no full-on hot data recovery service in place. Transition to cloud-based storage, for instance currently underway for the Vision property appraisal system, which will improve security, however it can also introduce a new array of security concerns.

Ms. Wilson then asked about financial liability for compromised data. Mr. Howell replied that while there is no reserve fund for this purpose, the Town's general liability coverage does provide some protection. He noted, however, that as new threats constantly arise, there is some lack of clarity as to what exactly would be covered by various insurance options. He is not aware of any data exposure case coming back at a municipality—yet.

Mr. Sullivan added that standards have been defined by the American Institute of Certified Public Accountants for protection of personal and financial data. Software and service providers should have an annual Service Organization Control test report and noted that whether and how your hardware is physically protected should also be considered. Mr. Howell followed up to the importance of this by pointing out that when he first took on the job, servers were not even behind locked doors and now key cards are required. He further stated that he is comfortable taking steps to force replacement of the few systems that are no longer supported by the vendor and that IT is adequately staffed to facilitate such a transition even if the user department is reluctant.

Mr. Lawson thanked Mr. Sullivan for his input and says that more internal work will need to be done before entertaining a proposal.

#### **Item 5: Other Business – continued discussion regarding the appointment of Auditor**

Given the time, Mr. Lawson suggested the Committee defer this topic to a future meeting and that he and Thomas Piper work together on a statement for discussion prior to that time. Mr. Piper replied that on reflection, he feels what is in the charter is fine—he will share with Mr. Lawson what he would have presented today, but does not think it needs to go further than that.

#### **Item 6: Citizen Comments**

Karlen Reid suggested that when IT penetration testing is scheduled; the Committee should consider whether it's advisable for the auditor to tell staff of the actual date in advance versus keeping it a surprise. While it may lead to different results, the consequences may differ as well.

**Item 7: Adjourn**

Upon a motion by Michael Lawson and seconded by Carol Wilson, the meeting was adjourned at 9:45 am.

**Documents distributed or referred to during this meeting:**

- Draft Minutes of July 30, 2018
- CliftonLarsonAllen – “Information Security”
- CliftonLarsonAllen – “Network and Application Penetration Testing”
- CliftonLarsonAllen – “Internal Network Vulnerability Assessment”