



**Town of Concord**  
Financial Audit Advisory Committee  
22 Monument Square  
P.O. Box 535  
Concord, Massachusetts 01742-0535

**AGENDA**

**Financial Audit Advisory Committee**

**Tuesday, September 14, 2021**

**8:30 AM**  
**Via Zoom**

Join Zoom Meeting:

Join Zoom Meeting

<https://us02web.zoom.us/j/83140613054?pwd=VjUzUXdUMVVuc3BPeXQrQnVoUzByUT09>

Meeting ID: 831 4061 3054

Passcode: 115753

1. **Approval of minutes:** January 19, 2021; February 2, 2021
2. **FY20 CCRSD:** Audit & Management Letter
3. **CY20 CMLP:** Audit & Management Letter
4. **Status Update:** FY21 Audits, Town and CCRSD
5. **Review of Work Plan/ Calendar**
6. **Other Business**
7. **Citizen comments**
8. **Adjourn**

**Financial Audit Advisory Committee  
Draft Minutes of Meeting on January 19, 2021**

The Financial Audit Advisory Committee (FAAC) met at 8:30AM by ZOOM (Meeting ID 821 4289 4865). Notice of the meeting was duly filed with the Town Clerk, Town of Concord, Massachusetts and was recorded.

Members present: Linda Escobedo, Select Board designee and Chair; Arthur Fulman, citizen representative; Court Booth, School Committee designee; Wendy Rovelli, Light Board designee; and Carol Wilson, citizen representative.

Members absent: Thomas Piper, citizen representative.

Others present: Kerry Lafleur, Chief Financial Officer; Mary Barrett, Town Accountant; Jared Stanton, Business Manager CPS/CCRSD; Ian Rhames, Assistant Business Manager, CPS/CCRSD; John Hickling, Finance Committee observer; Kathy Cuocolo, Finance Committee observer; Malyssa Simard, Finance Assistant; and Karlen Reed, LWVCC's Light Board observer; Scott McIntyre, Partner, Melanson Heath & Company; Sara Corduck, Melanson and Heath Audit Engagement Manager; Rich Delorey, Assistant Treasurer.

Chair Linda Escobedo called the meeting to order at 8:30 AM and roll call of Committee members was taken. She then suggested that agenda item 2 be taken out of order and welcomed Scott McIntyre of Melanson Heath.

**Item 2: FY20 – Review of Financials and Management Letter**

Mr. McIntyre began by reporting that the annual audit had gone well. The Town's books and records were found to be in good order with no disagreements concerning how various accounting principles have been applied. The auditors' work revealed no material weaknesses or significant deficiencies. The Management letter does, however, offer certain recommendations intended to improve internal controls and operating efficiency.

He then listed four topics which typically command particular attention:

- Unassigned Fund Balance
- Outstanding Bonds Payable and Debt Position
- Pension Liability
- Other Post-Employment Benefits (OPEB) Liability

Taking these in order, Mr. McIntyre reported that, despite positive general fund budget results for FY20, the General Fund balance dropped from \$37.1 MM to \$34.8 MM. More significant is the unassigned fund balance, which went from \$13.8 MM to \$9.9 MM. This, shown on page 19 of the draft, was driven primarily by the use of nearly \$3.8 MM from free cash for various purposes in FY21. These include \$2,000,000 to establish a middle school stabilization fund, \$1,715,000 to reduce the tax levy, and \$50,000 to supplement the purchase of two electric school busses. These amounts would now be reflected in other categories (Restricted, Committed, or Assigned), as applicable and shown in the same

Karlen Reed asked for clarification as to the effective date for PEG Access funds as reflected in the Financial Report (draft page 110). Mr. McIntyre replied that the \$1.4 M shown for PEG Access is as of 6/30/20, while the other Special Revenue Funds listed there are for the **year ending 6/30/2020**.

(Wendy Rovelli left the meeting at this point.)

There being no further questions on the Financial Report, Mr. McIntyre quickly reviewed the recommendations contained in the Management Letter.

#### CURRENT YEAR RECOMMENDATIONS

1. Improve Year-end Cut-off Procedures—the Town does a “great job” with its general fund and should apply similar procedures to other funds.
2. Prepare for GASB statements 84 and 87—Mr. McIntyre referred to his earlier response to the question asked by Ms. Escobedo.

#### PRIOR YER RECCOMENDATIONS

3. Align the Encumbrance Policy and Practice—Mr. McIntyre knows that the Town is aware of this recommendation; some encumbrances at year-end were for non-specific purposes and the Town needs more time to work on this.
4. Improve Reconciliation of Utility Receivables—Mr. McIntyre acknowledged challenges stemming from a change in billing software in 2019 and the ongoing efforts of staff to resolve the issue.
5. Analyze Withholding Accounts—Mr. McIntyre noted that the various amounts at issue here are relatively small, but should be addressed. Mary Barrett added that this relates primarily to certain insurance accounts where the Town is currently “self-billed”. There has been ongoing internal discussion as to how this can be handled.

Ms. Lafleur asked if there was an update on the CCRSD audit? Mr. McIntyre answered that a few documents are still needed and, once received, the auditors will be able to wrap up fairly quickly. Ian Rhames reported that he has been in touch with the actuary regarding one of those reports, adding that it usually arrives shortly after the Town receives its own.

Ms. Escobedo thanked Mr. McIntyre for his thorough review and helpful explanations before moving on to other agenda items.

#### **Item 1: Approval of minutes, meeting of October 6, 2020**

Upon a motion by Court Booth and seconded by Carol Wilson, the minutes of November 10, 2020 were approved by roll call vote.

#### **Item 3: Review of Work Plan / Calendar**

A meeting date of 2/2/2021 was planned. The Committee will review a draft letter to the Select Board at that time. The Committee also awaits a final version of a formal loan agreement between the Light Plant and Broadband.

**Financial Audit Advisory Committee**  
**Draft Minutes of Meeting on February 2, 2021**

The Financial Audit Advisory Committee (FAAC) met at 8:30AM by ZOOM (Meeting ID 841 3445 4996). Notice of the meeting was duly filed with the Town Clerk, Town of Concord, Massachusetts and was recorded.

Members present: Linda Escobedo, Select Board designee and Chair; Arthur Fulman, citizen representative; Carol Wilson, citizen representative; Court Booth, School Committee designee; and Wendy Rovelli, Light Board designee.

Others present: Kerry Lafleur, Chief Financial Officer; Mary Barrett, Town Accountant; John Hickling, Finance Committee observer; Kathy Cuocolo, Finance Committee observer; Malysa Simard, Finance Assistant; and Karlen Reed, LWVCC's Light Board observer

Chair Linda Escobedo called the meeting to order at 8:35 AM and roll call of Committee members was taken. (Court Booth and Wendy Rovelli joined the meeting in progress.)

**Item 1: Approval of minutes, meeting of January 19, 2021**

These minutes were not yet available and will be taken up at the next scheduled meeting.

**Item 2: FY20 Town: Review Management Letter Response**

Kerry Lafleur began the discussion by indicating her general agreement with each of the Auditors' recommendations and commented on the Management's Responses contained in the draft, which was distributed to Committee members in advance. In regard to prior year recommendations, Ms. Lafleur noted that receiving the Auditors' written reports well into the subsequent fiscal year always shortens the time available for implementation, but COVID's impact further complicated such efforts in this cycle. She also thanked Arthur Fulman for pointing out some typographical errors, which will be corrected in the final version.

**CURRENT YEAR RECOMMENDATIONS**

1. Improve Year-end Cut-off Procedures—The recommendation is that the Town's General Fund year-end cut-off procedures be applied to all funds. Ms. Lafleur noted that the implication that tracking the year-end value of fixed assets should include encumbrances for items "in transit".
2. Prepare for GASB statements 84 and 87—With respect to the new GASB 84, Ms. Lafleur said that certain types of funds will be reclassified and that she has access to a consulting auditor, should outside advice or assistance be needed. Preparing for GASB 87 will be more significant for the schools than on the Town side, as it is party to fewer lease agreements.

**PRIOR YEAR RECOMMENDATIONS**

3. Align the Encumbrance Policy and Practice—Ms. Lafleur agrees that the Town’s longstanding use of “placeholder” encumbrances is not the “best practice”. She explained this could happen, for example, when work funded by the annual operating budget is held up by slower than planned progress on a related capital project. She reported corrective action was underway, but that the effort was incomplete as of 6/30/20. Carol Wilson suggested that a target of two years be set to reach alignment. Ms. Lafleur will consult with the Town Manager, who must sign off on all encumbrances.
4. Improve Reconciliation of Utility Receivables—Ms. Lafleur referred to the change in software used by the Light Plant for utility billing. While this has worked well in terms of billing for the Light Plant, the change introduced new issues in reconciliation with the Town’s general ledger and has been even more complicated when incorporating water and sewer billing. She and Mary Barrett have made some progress in identifying reports that may ease the situation, but it remains a largely manual process. In the discussion that followed, Ms. Lafleur noted that staffing in Finance and Accounting has been reduced in recent years. While there is no current plan to increase it in FY22, this together with updated GASB and other changes, may necessitate adding staff in FY23. Ms. Lafleur also reported as “good news”, that the Light Plant had been ready to begin its annual audit process in January, very shortly after its 12/31 year-end.
5. Analyze Withholding Accounts—Ms. Lafleur added nothing to the detailed written response to this recommendation, other than indicating that some progress has been made, but was incomplete as of 6/30/20. There were no questions.

**Item 3: FY20 Town: Review Letter to Select Board**

Linda Escobedo opened the discussion for any comments or questions on the draft letter, which had been distributed to committee members in advance of the meeting. As it consists almost entirely of material already covered during discussion of the Management Letter, above, there were no new or substantive comments. The letter will be finalized and forwarded to the Select Board with minor typographical corrections.

**Item 4: Update: Loan Agreement between CMLP & Broadband**

The subject agreement has been approved by the Light Board and was distributed to FAAC members for their review in advance of the meeting. There were no questions or comments.

**Item 5: Review Work Plan / Calendar**

The Committee set a tentative meeting date of March 9<sup>th</sup>, 2021, depending on when the CCRSD’s financials are ready for Melanson Heath to complete their audit. Ms. Lafleur will keep committee members posted.

**Item 6: Citizen Comments**

Karlen Reed commented that she was glad to see that the Light Board had finalized the loan agreement and she believes they will be able to make it work.

**Item 7: Adjourn**

With unanimous approval by roll call vote, Ms. Escobedo adjourned the meeting at 9:10 am.

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

- Town's Response to Management Letter
- FAAC's Report to the Select Board February 2021
- CMLP Telecom Startup Payback Policy
- FAAC Audit Activity Schedule

# Annual Financial Advisory Committee: Audit Activity Schedule

	May	June	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
CMLP		Field Work		Draft Report	Final Report	Draft FAAC Letter	Select Board Review				Audit Plan	
Town		Audit Plan		Field Work			Draft Report	Final Report	Draft FAAC Letter	Select Board Review		
CCRSD		Audit Plan				Field Work		Draft Report	Final Report	Draft FAAC Letter	CCRSD Board Review	

1. Audit Planning Meeting – Review external auditor’s plan. Discuss issues carried over from prior year and highlight any significant issues effecting financials
2. Draft Report\* – Review audit findings, draft financial statements including MD&A, management letter and management response (if available). Review compliance and risk management.
3. Final Report - Receipt of Final Audit report. FAAC committee review and discussion of comments to include in Report to Select Board/CCRSD School Board

\* Schedule is dependent upon completion of OPEB and Retirement Board Actuarial reporting