

**Financial Audit Advisory Committee
Final 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; Malyssa 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 RECCOMENDATIONS

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 9th, 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