

Meeting Minutes
Audit Advisory Committee (AAC)
Thursday, February 24, 2022: 12:00 PM

Members present: Jonathan Freedman, Todd Gillenwater, Cathi Collins, Saul Berelowitz

Members not present: Reginald Leese

Non-members present: John Townsend, Abdul Rauf, Michelle Laramee

Mr. Freedman called the virtual meeting to order at 12:10 pm, and took roll call for attendance purposes.

There were no "Citizens Concerns" issues or matters raised.

Mr. Townsend introduced Michelle Laramee as the Town's Comptroller, noting that Ms. Laramee had not yet had an opportunity to join an AAC meeting up until now.

Risk Management Project Update – Finance Department Procedures & Controls

Mr. Freedman introduced this topic, saying that there had been some discussion at the February 1st Select Board meeting of the lateness of the Town's free cash certification and the process that contributed to the length of time it took to get this year's certification, and that the Audit Advisory Committee had been asked to explore this with Mr. Townsend and Ms. Laramee. In discussing the matter with Mr. Townsend, they had agreed it would make sense to approach the matter from the perspective of the risk management program and more specifically the processes, procedures, and controls relating to the free cash certification. The starting point would be to gain an understanding of the circumstances of the matter. The committee's discussion would not relate to the amount of the free cash certification or its proposed usage.

Mr. Townsend related the following:

- Historically, there is a 10-14 day turnaround from the time of the free cash submission to the DOR to the DOR's certification; this typically has taken place in the September-October timeframe. The process in general has been extended by the Covid pandemic.
- For the current certification, the initial submission wasn't made to the DOR until December 2021, and an initial response wasn't received until January 2022. The certification was finalized by the DOR on February 1, 2022. Mr. Townsend noted that after the Fall period, the DOR's focus normally turns from the free cash certifications to the tax rates, which can further extend the DOR's review and response period.
- Two additional significant factors that impacted the process this year were:
 - The new A/R system implemented in May 2020 was a difficult conversion process, made more difficult as all employees were working remotely for the first time. This conversion and some formatting changes led to a higher-than-normal telephone volume to the Collector's office which interrupted the work flow in the office. The Collector's office also had some delays in filling open positions, had never used MUNIS until this conversion, and all training was conducted via Zoom.
 - Ms. Laramee took office in June 2021 just before the close of the fiscal year, and was reasonably not able to become familiar with Natick's processes or to review the accounts and number in depth.
- As a matter of policy, Mr. Townsend has historically refrained from estimating the amount of free cash, preferring instead to wait until the actual DOR certification.
- Ms. Laramee's initial review of the books raised questions regarding several transactions recorded in the ledger. As recounted by Mr. Townsend:

- The July 2019 debt service payment was made twice; one of the transactions was voided but the corresponding invoice was not deleted, which caused the underlying invoice in MUNIS to revert to payable status; as a result, it was included in the May 2021 warrant and was again paid. When this was identified, the transaction was voided, but in error both the erroneous entry and the original entry were deleted in the General Ledger, which erroneously inflated the free cash estimation by the amount of the debt service payment.
- Unraveling the issue was made more difficult because the transactions in question crossed fiscal years.
- Upon identification of the issue, Mr. Townsend and Ms. Laramee consulted with the Town's auditors (Clifton Larson Allen) and discussed the matter with the DOR. The consensus among all parties is that this is an isolated incident and not a systematic control issue.
- In response to a question from Mr. Gillenwater, Mr. Townsend affirmed that at no time was any money misused or missing, and this is a recordkeeping and procedural matter.
- The following high-level issues were discussed:
 - Cash reconciliations: Cash reconciliations would have balanced until the second reversal in May 2021. From May-December of 2021, cash reconciliations would not have balanced, indicating that there were not performed as they should have been. Ms. Laramee has undertaken to re-implement a monthly cash reconciliation and hopes to be caught up by the first week of March.
 - Inter-office communications between the Comptroller and Collector office needs to be improved.
 - Strengthened controls are needed for performing G/L adjustments in general, but also especially for prior fiscal years.
 - Several questions were raised regarding other potential remediation steps, including:
 - The question of whether department procedures include checklists
 - Greater separation of duties between employees with access to post vs. reverse transactions
 - Other events or opportunities to identify the issue earlier
 - Performing reconciliations on A/P and A/R transactions

Mr. Townsend and Ms. Laramee agreed to produce some documentation showing the timeline of events to facilitate an understanding of the issue, and also to identify potential opportunities that would have enabled the issue to have been identified and remediated earlier.

Mr. Townsend also noted that the DLS will be performing an operational audit, likely in the summer of 2022; he is targeting to have all procedures reviewed prior to that time, and to make sure that all processes are tightened up as needed. At this point Mr. Townsend believes there are no issues of comparable magnitude to address.

The next scheduled meeting of the ACC is on March 24, 2022.

Due to time constraints and the committee's focus on the free cash certification circumstances, no other agenda items were taken up.

Meeting Minutes

Due to time constraints, no meeting minutes were reviewed for approval.

Adjournment:

At 1:04 pm, on a motion by Ms. Collins, seconded by Mr. Berelowitz, the meeting was adjourned by a roll call vote of 4-0-0.

Meeting minutes respectfully submitted by Reginald Leese, Clerk.

Meeting Materials

Virtual Meeting Agenda