

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

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

Members not present: None

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

Mr. Freedman called the virtual meeting to order at 12:10 pm.

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

**Risk Management Project Update – Finance Department Procedures & Controls**

As in the February 24<sup>th</sup> meeting, Mr. Freedman framed this topic for discussion noting that the Select Board had previously asked the AAC to review processes, procedures, and controls relating to the free cash certification for the Town for Fiscal Year 2021. A time-line of events was provided to the AAC by the Finance Department shortly before the meeting. Mr. Freedman stated that the goal was to review the time-line in detail and identify any fail points and discuss the need for additional controls from a procedural perspective.

Mr. Gillenwater expressed an interest in the accounting of each of the steps in the timeline. Mr. Townsend was agreeable to that, but Mr. Freedman noted that the scope of the Committee's charter limited the discussion to the risks and controls and thus to the procedural elements.

Ms. Laramee began to speak to the time-line as follows:

***#1: 8/27/19 – the wire for debt service pay payment was paid 2 times. FY 2020 (Dated 7/16/19)***

On 7/16/2019, the Treasurer correctly issued a single wire in the amount of ~\$5million for principal and interest debt service. Unfortunately, due to an administrative error in the Treasurer's office, two bill schedules were mistakenly submitted for the same wire and both these transactions were processed through MUNIS on 8/27/2019 once the warrant was signed by the Select Board. Issues raised by the AAC following discussion were:

- Controller needs to authorize such payments before they are made; the Comptroller is working to address that procedural element
- The subject wire payment was not on the warrant until 8/27/2019 after the payment was made. New procedures are now in place to match warrant signing and payment processing
- The cash book was not balanced to the general ledger at that time which would have identified this matter
- The Treasurer's office and Select Board office did not identify that two separate bill schedules for the same payment were included on the same warrant;
  - Mr. Freedman noted that the Select Board's involvement is limited to authorizing the payments in the warrant and is not a control point; Mr. Townsend agreed
  - Bill schedules are submitted by the Treasurer, and a Comptroller check should have identified the duplication; a "four-eye review" should be implemented going forward

***#2: 10/24/19 - the wire was voided - FY 2020***

Once the duplicate wires were noticed in MUNIS, both wire entries were voided; however, this process caused the original invoice to become reactivated in the system yet reported as unpaid. The normal process would be to delete the invoice at this time to prevent it from getting included in a future warrant – it was not. After discussion, it was reported that:

- Voiding wire transactions is an uncommon occurrence, and it may not have been understood that this would cause the original invoice to reactivate

- There were no controls in place on the voiding of checks or wires in MUNIS at that time. A protocol is now in place whereby the Comptroller reviews and approves all void items in MUNIS before processing (4 eye process).

### **#3: 5/17/21 - invoice included on a warrant**

One effect of the original invoice being reactivated in MUNIS was that no warrant number was assigned to the newly-reactivated invoice. Normally, warrants are generated by instructing MUNIS to produce a warrant for invoices with a specific warrant number. However, an unintentional error when creating the 5/17/2021 warrant caused all invoices, including those without warrant numbers, to be added to the warrant.

Mr. Townsend reported that written procedures are now in place to manage the warrant process and hopefully eliminate such processing errors.

### **#4: 5/17/21 - Inclusion of original invoice in warrant discovered and voided from system**

The inclusion of the original invoice in the warrant was immediately discovered as an error and was voided from MUNIS for a second time. However, for reasons not yet understood this void action also voided out the original payment in the general ledger causing the cash fund balance to increase as of 7/1/2020 (now in the prior fiscal year).

Shortly after starting as Town Comptroller, in September 2022 Ms. Laramee discovered the cash balance error for 6/30/2021. Unfortunately, no cash reconciliation had been routinely performed since August 2019, a process that would have identified the problem. Upon questioning, Ms. Laramee noted that the last cash reconciliation performed by her office was June 30, 2021 and that these delays were related to the timely receipt of data from the Treasurer's office.

Mr. Townsend and Ms. Laramee reported that a meeting was held this morning between the Comptroller's office and Treasurer's office to discuss the delivery of data to the Comptroller's office so that cash reconciliations can be performed in a timely manner. Data from July 2021 through February 2022 is expected to be delivered to the Comptroller's office later today. When asked, Mr. Townsend noted that historical data delivery delays were a result of staffing issues in the Treasurer's office and prioritization of other activities over cash reconciliation.

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

The next scheduled meeting of the ACC is on April 21, 2022 at which time the continued review of the timeline of events associated with free cash certification will continue.

### **Meeting Minutes**

On a motion by Mr. Gillenwater, seconded by Mr. Berelowitz, the draft meeting minutes for 12/16/2021 were approved by a roll call vote of 4-0-0.

On a motion by Mr. Berelowitz, seconded by Mr. Gillenwater, the draft meeting minutes for 2/24/2022 were approved by a roll call vote of 5-0-0.

### **Adjournment:**

At 1:00 pm, on a motion by Ms. Collins, seconded by Mr. Gillenwater, the meeting was adjourned by a roll call vote of 5-0-0.

Meeting minutes respectfully submitted by Reginald Leese, Clerk.

## **Meeting Materials**

Virtual Meeting Agenda

Timeline of Transaction of July 2019

Draft Minutes of 12/16/21 AAC Meeting

Draft Minutes of 2/24/22 AAC Meeting