

Town Of Groton, Vermont – Selectboard Minutes, October 22, 2015 (Approved)

The duly warned meeting of the Groton Selectboard of October 22, 2015 was held at the Groton Community Building, 1476 Scott Highway.

Attendance for the meeting included: Lisa Hart, Carrie Peters, Roberta Dana, Brent Smith, Debra Johnson, Martha Crown, Nathan Hawley (Pace & Hawley LLC).

The Following Selectboard Members were in attendance: Peter Lyon, Andrew Dorsett, and Mary Grant

The Meeting was called to order at 7:00 PM

Meeting with Nathan Hawley of Pace & Hawley LLC:

Peter Lyon Introduced Nathan Hawley of Pace & Hawley LLC, an auditing firm from Barre, VT, to the members of the Selectboard and the Select Board Meeting attendees. He also reaffirmed the primary focus of this meeting was to go over the recommendations and process of a transitional audit for the Town Treasurer and review the findings from the 2010, 2011, and 2012 audits.

Nathan Hawley explained that what was being requested was not considered an “audit” in the CPA definition of the word, but more of a review to ensure that Town funds were managed according to governmental accounting standards. Nathan said the question is how to handle a transition of Treasurers and offered the following steps:

1st was to determine when to establish a “clean” cut-off date and Nathan recommended that it be set as 12/31/2014. All financials are complete at this point for the Town Report and are a matter of public record. Very little is done beyond that date and prior to town meeting. Any account transactions during that time can easily be audited.

2nd would be to verify the financial statements that were presented for the Town Report. If those statements are correct, then the review would be complete. Nathan indicated that these reviews does not have to be completed by an outside auditor, that the incoming Treasurer could look over the statements and decide if they were correct and agree on an ending point and starting point with the outgoing Treasurer then an outside auditor would not be needed.

Nathan indicated that he has a proposal to accomplish this, but asked at this point were there any questions or comments before he continued. Mary Grant stated that at town meeting it was voted to conduct a full audit and how she understood the process. She also stated that it was the desire of the outgoing Treasurer to have a complete audit done. Mary questioned the reasoning of doing an audit three years in a row. Roberta Dana explained that the town had entered into a three year contract. Mary continued by reviewing the findings of the 2010, 2011, and 2012 and pointed out that the previous auditing firm would be the likely firm based on their previous familiarity with the town’s finances. Nathan stated that the Town has to decide what benchmarks and criteria that the auditing firm will use to conduct the audit. Andrew Dorsett asked whether it would be better to wait until the end of 2015 and conduct the audit. Nathan said he would have to ask what the Town’s concern was with the finances between January 1st 2015 and March 2016, and try to find answers to those questions.

Andrew said from reading the minutes of Town Meeting he got the sense that the Town just wanted to feel assured that there was a smooth transition and that perhaps a full audit wasn't needed. Peter indicated that Debra Johnson had made the motion at Town Meeting to have a full audit and perhaps she could explain why she felt that a full audit was necessary. Debra stated that she felt the outgoing treasurer deserved a full audit to assure the voters that town finances were being appropriately managed.

Nathan repeated his recommendation that 12/31/2014 be that cutoff because the incoming Treasurer will be producing the 2015 report for the Town Report which will include January and February. If there is a concern about January and February, then the Town could establish procedures to verify accounting for those two months. Mary Grant mentioned that the Town Auditors could verify accounting for those months as part of their quarterlies. Andrew Dorsett asked about the RFP template for previous independent audits, Peter said that he had the one previously used. Martha Crown asked if there was a change in procedure for hiring an independent auditor, Peter said that he would clarify the procedure. The Vermont Leagues of Cities and Towns outline that certain professional services may be contracted without submitting an RFP so long as the town has set aside funds in the current year budget for those services. Round table discussion ensued to define professional services. The overall determination was that an audit fell into this category because the service was completed with the assistance of the Treasurer, Town Auditors and included training and follow-up assistance. Nathan Hawley explained the services offered by most accounting firms primarily, audits, which at the end, provides an opinion and recommendations, Reviews which, at the end, offer a set of financial reports and review statement and then a compilation which assists municipalities with compiling end of year reports. Nathan went on to recommended frequency of audits/reviews.

Mary asked what the next step is. Andrew said the intent of the voters was to have a full audit of 2014, then continue the discussion before town meeting to decide whether to ask the voters if they want an annual review in the upcoming years or contract for review or compilation services.

Mary went on to explain that putting the Towns books in order to produce an accurate town report was going to be difficult for the incoming Treasurer. Nathan explained a compilation, which assists treasurers in reconciling and completing annual reports, may be the best option. Peter asked the Current Treasurer and Assistant Treasurer what they would like to have happen. Lisa Hart, Treasurer, said that initially she was leaning toward a review, but a compilation would help her prepare her books for the end of year reports. Carrie Peters, Assistant Treasurer, agreed. Nathan Hawley explained that the Compilation could also act as a training session for the Treasurer. Andrew expressed concern that this may not satisfy the intent of the voter. Nathan said that having a good transfer of treasurers may satisfy this, If the previous treasurer states that her 2014 report as recorded in the town report is accurate and the current treasurer agrees, then that could be considered a good transition. Comparing the bank statements, NEMREC reports could be used to verify the Town Report. Peter asked both the previous and current Treasurer if they agree on those figures, Lisa said she wanted an independent auditor to walk her through those figures before she could agree they were correct. Peter asked Nathan if he had a cost estimate for that service. Nathan responded that it would depend on the amount of time involved and whether the records were readily available, probably 8-12 hours and this would be strictly reconciling with no reports generated.

Andrew moved that the Town enter into a contract with Pace & Hawley LLC for consulting services to facilitate a transition of Treasurers for an amount not to exceed \$2000. Mary Grant seconded the motion. Peter asked that the motion be amended to include the end of year compilation for 2015 and fee not to exceed \$4000. The Board voted unanimously to approve.

Review Auditor's Reports for 2010, 2011 & 2012:

Nathan Hawley reviewed the three audits and was prepared to go over them with the Select Board and meeting attendees.

Reference 2012-4 Nathan said that separation of duties is the number one issue that appears in towns across Vermont. The problem comes from the Treasurer who is doing the accounting, also manages the bank accounts which requires mitigation in some way. Roberta Dana indicated that some of that had been addressed. Andrew suggested that maybe the Treasurer be responsible for one part and the Assistant Treasurer be responsible for the other part. Nathan indicated that would work so long as they didn't have access to both, and transactions were verified by the Town Auditors during their quarterly audits. Andrew suggested that perhaps while the compilation was being conducted, that a description of duties could be established that would suit the separation requirement and still allow the for the intent of the Assistant Treasurer, which was to act as a back-up to the Treasurer. Nathan suggested that the process in which the Select Board signs the warrants be changed so that they can see beginning and ending balances on each warrant and review bank statements monthly. Consolidating bank accounts could make this process easier. Mary asked how the town deals with cash and the process for handling it. Andrew and Lisa talked through that process and Nathan stated that a fair procedure would be to have an admin person receive and log those funds and submit them to the Treasurer for deposit.

Reference 2011-2 Nathan went on to report that another significant finding was Grants management and reconciliation and documentation on the ledger. Nathan explained that this requires a fair amount of attention because there is generally more than one person involved in the grant process and expenditure of these funds. Because typically there are conditions and requirements to for expending these funds, there should be a Grant Manager to handling the documentation to ensure that nothing falls through the cracks. The Select Board agreed that there was a gap there.

Reference 2011-3 Nathan also reported that reconciliation on balance sheets was a reoccurring finding. This was for both accounts receivable and accounts payable. This was primarily recording prior year expenses that were billed in the current as "prior year expenses" and the same applies to funds received in the current year that were due in the previous year and reconciling those balances. The Select Board will take up the issue of whether or not they will be accounting on the cash basis or not at a later date.

Reference 2012-3 The next finding discussed was the Town having a record of all capital assets. This list includes all equipment, buildings, infrastructure and real property. Nathan recommends that the Town write a capital assets policy. This would establish a policy of what gets added to the list and what gets dropped under what conditions.

Reference 2011-4 The next finding discussed was Fund balance reporting. This reporting shows funds in three categories. Constrained, funds that are required to be spent a specific way (grants, State funds etc). Committed, funds that have been set aside by voters for a special purpose. Assignments, typically Board determined expenditures. Nathan said that it is important to keep track of those funds and how they are to be utilized.

Nathan said that all of the more significant findings were fairly broad based issues and would take time to establish policies and procedures to address them. He recommends finding training on governmental accounting and that the auditors review reconciliation after it has been completed. Mary suggested that some online courses be researched and Nathan concurred. The Select Board expressed their gratitude to Nathan Hawley for attending the meeting and covering the previous audits with the Board and meeting attendees. Prior to Nathan's departure, Debra Johnson and Roberta Dana asked him whether the Auditors need to be present when the Treasurer was reconciling the bank statements. Nathan indicated that this was not needed nor a requirement, that they could review that reconciliation during the quarterly audit from the bank statement and the reconciliation report from NEMRC.

Finalize schedule for the November 7th meeting with all Department Representatives on their 2016 Budget Proposals:

The Select Board agreed by consensus that the schedule was good. Peter remarked that if departments were going to level fund from last year, they only needed to send a note to him and didn't need to come to the meeting.

The Select Board tabled the contract for dispatch services until next Select Board meeting so they could discuss the service with the 1st Constable Jim Downing.

Mary Grant wanted to announce that future meetings would be held downstairs in the Community Building Kitchen.

The Select Board agreed by consensus that they would all sign payment orders bi-weekly.

Select Board Meeting was adjourned at 8:30 pm.

Minutes prepared by Dan Robinson, Select Board Secretary