

TOWN OF WINCHENDON



Finance Committee

Telephone (978)-297-5419

JOINT MEETING: Finance Committee, Board of Selectmen, School Committee, Audit Committee

Finance Committee Minutes

December 10th, 2018

Town Hall 2nd Floor Auditorium

109 Front Street, Winchendon, MA 01475

Board of Selectmen Members Present:

Audrey LaBrie, Chair

Barbara Anderson

Michael Barbaro

Keith R. Hickey, Town Manager

Linda Daigle, Executive Assistant

Joanne Goguen, Town Accountant

Absent: Austin Cyganiewicz, Vice-Chair

School Committee Members Present:

Gregory Vine, Chair

Felicia Nurmsen

Larry Murphy

Roann Demanche

Carolyn Hendricks

Joan Landers, Interim Supt. of Schools

Richard Ikonen, School Business Manager

Finance Committee Members Present:

Tom Kane, Chair

Christian Orobello, Vice-Chair

Charles C. Corts

Douglas Delay

Charles (CJ) Husselbee

Amy Salter

Brianna Roberts, Recording Secretary

Audit Committee Members Present:

Dr. Maureen Ward, Chair- Representing the Finance Committee

Dawn Fronte- Representing the School Committee

Roger Doucet- Representing the Community

Dr. Chris Casavant- Representing the Community

Guests:

Tony Roselli, Clark and Associates, CPA's

List of Documents Presented at Meeting:

Finance Committee Minutes

December 10th, 2018

- Notice of Joint Meeting/Agenda- Monday, December 10, 2018
 - "Report on Examination of Basic Financial Statements and Additional Information Year Ended June 30, 2018"
 - "Management Letter Year Ended June 30, 2018"
 - Guide to FY20 Budget and STM-ATM timelines – Town Meeting May 20, 2019
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Chairwoman Audrey LaBrie called the Board of Selectmen meeting to order at 7:03 PM

Chairman Tom Kane called the Finance Committee meeting to order at 7:03 PM

Chairman Greg Vine called the School Committee meeting to order at 7:03 PM

Chairwoman Maureen Ward called the Audit Committee meeting to order at 7:05 PM

All stood for the Pledge of Allegiance to the Flag of the United States of America.

Announced audio/video recording disclosure:

Doneen Durling disclosed she would be recording the meeting this evening.

Announcements: Christopher Roy, a Worcester firefighter, lost his life. All stood for a moment of silence.

New Business:

- 1.1 Audit Committee's presentation on "Report on Examination of Basic Financial Statements and Additional Information Year Ended June 30, 2018" with Roselli, Clark and Associates, CPA's.
- 1.2 Audit Committee's Presentation of the FY18 Annual Audit Management Letter with Roselli, Clark and Associates, CPA's.
- 1.3 Proposed FY20 Town Meeting Schedule

FY18 Audit Review: Dr. Maureen Ward of the Audit Committee announced the board members and the board's they are representing. Dr. Ward introduced Mr. Tony Roselli, a CPA from Clark & Associates. Mr. Roselli put together a report including the examination of basic financial statements, highlights of the financial statements, review of deficit legislation and the towns management of the repayment, financial analysis, summary of significant accounting with a detailed accounting for each department.

Mr. Roselli began with a review of basic financial statements on page 13 of the "Report on Examination of Basic Financial Statements and Additional Information Year Ended June 30, 2018". The general fund dictates the solvency of the community, in regards to assets and liabilities. If the assets are greater than the liabilities, it is going to result in a fund balance, which is \$3.2 mil. That figure consists of the stabilization fund, which is \$1.1 million; other unassigned fund balances of \$1.3 mil, and some restricted just under \$800,000. Back in 2013, it was all brackets with a lot of deficits. Page 15 shows the total expenses of \$31.4 mil, divided by the fund balance of \$3.2 mil, equals 10%, which Mr. Roselli stated is a good percentage.

On page 57 is the budget to actual report, which reviews how well the town did in regards to the budget created in the beginning of the year. The total revenue projection was exceeded by \$180,000. The town was able to turn back \$855,000 in expenses. This allowed the town to generate free cash since most of the free cash went to paying off legislation bonds. The final bond payment will be paid off March 1st, 2019.

Mr. Roselli asked if there were any questions, there were none, he continued and began the review of the management letter. The overview echoes the information in the review of basic financial statements. Under findings and recommendations, Mr. Roselli stated that bank rates are offering a higher interest percentage, and recommends looking into pooling funds to increase extra reserves. Under abatements, better business practices were recommended, including sending the abatement information to both the collector's office and town accountant, to allow the accountant to provide an independent check on the collector's activity. Departmental turnovers were performed, finding only one isolated error of a permit being off \$20 due to a typo. These turnovers will be performed yearly in the future. In regards to the school department; compensated absences have been adequately resolved, ineligible payroll costs have been more accurately recorded, and the previous practice of charging all school expenditures to the budget during the year and then creating journal entries into the grant accounts at the end of the year has been abolished.

Ms. LaBrie asked what the updated procedure is for charging school expenditures. Mr. Roselli responded the new procedure is identifying the expenses of the grants immediately and charging the grants.

Mr. Kane stated the finance committee has been concerned about this practice for the last few years, a lot of the practice had to do with charging salaries to the town budget then making the adjustments at the end of the year. It continues to happen with special education tuition accounts.

Mr. Richard Ikonen stated many of the special education expenses are encumbered right away and then are offset throughout the year.

Some significant deficiencies include the timely filing of grant reports, for the fifth straight row in a year reports have not been filed timely.

Mr. Ikonen stated 17 grants have been submitted in regards to 2018-2016. They will continue to work on submitting 2016-2014 and noted the state has been happy with the progress. Moving forward the process will be to meet on a monthly basis with all stakeholders involved in the grants, to determine a comprehensive plan and initial receiving of the monies.

Dr. Ward asked if the state is requiring money to be returned from past grants. Mr. Ikonen responded that so far the state is content with the 17 grants that have been filed and still needs to work on the previous years to determine that answer.

Mr. Roselli reviewed the general findings including; the two elementary schools do not have current school wide plan to comply with the Title 1 requirements. The prior year management letter provides a template to address this issue. Also, new single audit guidelines effective 2016 require the school to implement an internal control framework such as COSO or the Green Book. This has yet to be addressed. It is a substantial and lengthy project, which will be addressed in 2019.

During the fiscal year 2018 the town elected to engage the Montachusett Regional Planning Commission (MRPC) to administer the activities of the 2016 Community Development Block grant award. Their activities were audited by DHCD and found completely reckless procedures and sloppy bookkeeping. Over twenty issues were found due to their negligence and after one particular incident involving a bid for the project on Brown St. they were fired. Due to inclement weather and poor bookkeeping a bid that

was placed on Friday was recorded the next Monday. The same bid that was late was also the lowest and was awarded the contract.

Dr. Ward commented that a new company has been hired and they keep all their records on site, which should prevent this kind of issue from happening in the future.

Mr. Orobello asked if there is a chance that the town could now be locked out of competitive bids.

Mr. Hickey replied that he had a conversation with a representative from DHCD and they stated that Winchendon would not be penalized since the issue had been addressed immediately.

Mr. Orobello asked if there has been discussion in hiring a town wide grant administrator.

Mr. Hickey replied that it had not been discussed yet but will talk with Ms. Landers about the logistics.

Mr. Roselli commented that would be a good idea to look into.

Mr. Vine asked Mr. Hickey if DHCD gave any indication if the issues with MRPC were a factor in the denial of the last CDBG application.

Mr. Hickey replied that DHCD did not give any indication that the town was denied due to the issues with MRPC or the town's grant performance.

Mr. Murphy asked Mr. Roselli to confirm that the incident with MRPC checked out to be sloppiness and nothing nefarious.

Mr. Roselli replied that DHCD came in and nothing was found to be intentional or of criminal intent.

Mr. Murphy asked if the town had received money back from MRPC due to lack of performance.

Mr. Hickey replied that the town has received some money back but not all of it.

Ms. Nurmsen commented that the town needs to have a forward-looking approach. Processes and have changed for the better and there is no need to keep dwelling on the past. Ms. Nurmsen also stated that outsourcing contracts should have a performance clause for cases in the future like MRPC.

Mr. Roselli continued to the departmental reviews section starting with the school lunch program. In the prior year there was a deficit of \$23,000. Revenue from last year increased by \$150,000 due to added breakfast and supper programs reimbursed by the federal government. A whole grain waiver was also received which allowed the cafeteria to serve more "normal" food which increased a lot more participation from the kids. There was a list of twelve controls listed and followed by Chartwell and the school cafeteria regarding finances and inventory to make sure everything checks out and is done properly.

The school does not receive the information regarding the online lunch payment program sales, resulting in their reconciliation being off by almost 50%. A process has been set in place and will be implemented to correct this.

Ms. Nurmsen asked if it is standard practice using excel spreadsheets versus automatic accounting.

Mr. Roselli replied that some towns still use excel but there is a lot more room for error. The cash register connects directly to the database so the excel spreadsheet is more of a double check in this instance.

The vending machine recorded total revenue of \$81, which seemed low. The same person who fills the vending machine also empties it. This should be changed and kept separate to ensure better business practice.

The treasurer should adjust the cafeteria bank account to the general ledger balance monthly instead of yearly to generate interest.

It was suggested that an individual from the School Business Office spot check audit Chartwell bills by reviewing all supporting back up and do this at least quarterly.

Mr. Roselli commented that Winchendon had one of the best run town clerk office he has ever audited.

An average percentage of dogs to people is about 20%, with Winchendon having about 10,000 people there should be an estimated 2,000 dogs. The town clerk is collecting about 80% of the probable 2,000 dogs in town. A program provided by LL Data Designs is used to record the dog license information. Every rabies certificate is required by law to be sent from the vet to the town and this is then recorded into the LL Data program.

Mr. Orobello commented that other towns have databases online that provide these numbers to show the tax payers where their money is going giving them a sense of pride and ownership in the community.

Mr. Vine thanked Mr. Roselli and the members of the audit committee.

Mr. Orobello also thanked Mr. Roselli for helping and truly understanding the town and community.

Mr. Barbaro thanked Mr. Roselli and stated that his recommendations are taken to heart and also wanted to thank the staff for implementing the suggestions to better our community.

Mr. Hickey asked the board members if there were any questions regarding the dates proposed for the FY20 budget and STM-ATM timelines.

Ms. Anderson commented that she has a concern with the board of selectmen voting on the budget before the finance committee.

Mr. Hickey replied that this issue has been discussed in the past and he will reach out to see if a joint meeting is possible in the future.

Member Comments: None

Public Comments: None

Ms. LaBrie asked the Board of Selectmen to make a motion to adjourn. Mr. Barbaro motioned to adjourn and Ms. Anderson seconded the motion. The Board of Selectmen unanimously voted aye.

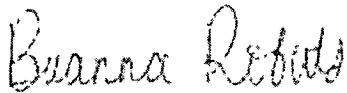
Mr. Vine asked the School Committee to make a motion to adjourn. Mr. Murphy motioned to adjourn and Ms. Nurmsen seconded the motion. The School Committee unanimously voted aye.

Mr. Kane asked the Finance Committee to make a motion to adjourn. Ms. Salter motioned to adjourn and Mr. Husselbee seconded the motion. The Finance Committee unanimously voted aye.

Dr. Ward asked the Audit Committee to make a motion to adjourn. Ms. Fronte motioned to adjourn and Dr. Casavant seconded the motion. The Audit Committee unanimously voted aye.

The meeting was adjourned at 8:20PM

Respectfully submitted:

A handwritten signature in cursive script that reads "Brianna Roberts".

Brianna Roberts, Finance Committee Recording Secretary