



Town of Nantucket
Audit Committee
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MINUTES

Wednesday, April 6, 2016

4 Fairgrounds Road, Training Room – 3:00 p.m.

Staff: Libby Gibson, Town Manager; Brian Turbitt, Finance Director; Lynell Vollans, Assistant Finance Director; Bob Dickinson, Assistant Town Accountant
Department Head: Michael Cozort, Superintendent of Schools; Martin Anguelov, NPS CFO
Attending Members: Bob DeCosta, Rick Atherton, Jim Kelly
Absent Members: None
Auditor: Anthony Roselli, Roselli, Clark & Associates
Documents used: Copy January 13, 2016 minutes; FY2015 Management Letter; FY2015 NPS Single Audit

I. CALL TO ORDER

3:00 p.m.

II. DISCUSSION & APPROVAL OF MINUTES

1. January 13, 2016: adopted by unanimous consent.

III. DISCUSSION OF FY2015 MANAGEMENT LETTER

Turbitt – Reviewed the management letter: Adopted new accounting principles for the pension fund; Barnstable County will be performing a random sampling of documentation for employees for the actuarial report audit. The new OPEB/Governmental Accounting Standards Board pronouncement will change the way OPEB is reported on the financial statements; it doesn't have to be implemented until FY2018 but we might implement it in FY2017 during the up-coming evaluation.

DeCosta – Asked if we are on track with funding the OPEB liability.

Turbitt – We are not on track based upon annual contribution requirements if the report is taken literally. However, we are meeting the costs of retirees. The rating agencies know what everyone's numbers are; at this time, there is no provision requiring maintenance of annual retirement contribution. We are offering a lower-cost retirement plan. The health insurance "Cadillac" tax has been delayed at least two years and might be eliminated.

Roselli – Noted that about 10 to 15% of Massachusetts communities fund the retirement liability like Nantucket does. As the pension gets closer to the expiration date where it becomes fully funded, the State will begin pushing the idea of replacing some of those dollars with OPEB dollars and legislation will likely start appearing. Briefly reviewed efforts to avoid municipal data breaches.

Turbitt – Reviewed the changes to the requirements of the single audit. The changes should be implemented by June 30, 2017.

Findings and Recommendations: the Department of Public Works Director (DPW) has installed the cameras recommended at the landfill scale house and we are implementing the lock box for collections at that location. Hope to have policies and procedures for the DPW in place by the end of June.

DeCosta – Stated that users of the landfill should get their bill and receipt of payment in both the mail and by email to ensure everyone gets it.

Turbitt – Student Activities Funds: The Treasurer has been working with Mr. Anguelov and other school finance personnel to come up with a reconciliation process. It is working.

Roselli – The State had a push on these funds because it was haven for fraud. Said the developed process is working well.

Turbitt – A vast majority of the money is on Town books; the Schools have a policy on what they can maintain in a separate checking account.

Closing Process: reviewed the new closing process for the accounts.

Special Revenue Funds: this will not be done by June 30; will be sending out queries to departments to ascertain why some funds have not had any activity for several years. We will then develop a reconciliation plan to ensure departments are spending the money as intended.

Kelly – Asked if the unused money could be shifted into a Free Cash Account or the General Fund where it could be used.

Roselli – These accounts represent a lot of money; he'd prefer to get guidance from DOR about how to handle that money. If any of the Special Revenue Funds under the Planning Board belong to out-of-business or deceased owners, there is an abandoned property provision that allows the Town to claim the funds.

Turbitt – Cash Handling Tests: Noted that every department will be visited by the end of this month and they have no idea when Finance is coming. Explained the check process and where progress is being made. Noted they have not done surprise visits to the school cafeterias.

IV. DISCUSSION OF FY2015 NANTUCKET PUBLIC SCHOOLS SINGLE AUDIT

Roselli – Explained the single audit process and goals. This single audit for the school resulted in a finding rated as a significant deficiency. In September 2014, the school had not requested reimbursement forms for the lunch program, which should have happened months earlier. Mr. Anguelov researched it and found the request had not been sent. A compliance category that needs to be met is Cash management and timely reimbursement.

Anguelov – Stated he talked to the District Manager of Chartwells, the cafeteria vendor; in fact the request was submitted late due to a turnover in the manager; they said they submitted the request in November 2014. Apparently there was miscommunication causing further delay of that submission such that the Department of Education (DOE) indicated that the reimbursement deadline had been missed. The amount in question is between \$11,000 and \$12,000. Explained what he is doing to ensure that doesn't happen again.

Cozort – Stated that he has been in contact with Chartwells and is working to get all or part of the month reimbursed. We'll probably settle on sharing. The DOE did not get back to Chartwells in a timely manner which leads Chartwells to feel they are not entirely culpable.

Discussion about where the fault might lay.

Cozort – When he first started, the reimbursement for school lunches was \$170,000; now it's \$50,000.

Nationwide, a problem with food services in schools is unpaid debts. His first year with NPS the unpaid debt was \$77,000; he has gotten that down to \$10,000. The problem schools come up against is the possibility of harming a child for a parent's lack of responsibility. Reviewed how children without lunch money are cared for to ensure they eat and the controls in place and steps taken to see that those debts are paid.

Roselli – Stated that he is satisfied with the steps the schools are taking to prevent this from happening again.

V. UPDATE ON TIMELINE OF FY2016 AUDIT

Turbitt – Field work and Interim Testing is scheduled for May 10-20; actual audit field work scheduled for October 3 through 7. The next meeting is scheduled for May 18.

Discussion about whether or not the FY2016 Audit can be finalized in time for the Special Town Meeting.

Roselli – Explained the complexities of performing the audit and how it might be expedited.

Discussion about management of Town construction projects.

VI. DATE OF NEXT MEETING

Date:

Motion to Adjourn: 3:56 p.m.

Submitted by:

Terry L. Norton