Banking & Audit Committee
July 20, 2022

A meeting of the Banking & Audit Committee of the Board of Finance was held on July 20, 2022 at 8:30 a.m. in the IT Conference Room of City Hall West, 131 North Main Street, Bristol.

Members Present: John Smith, Glenn Heiser, Dave Maikowski and Jon Mace (via Zoom)

Also Present: Robin Manuele and Nikoleta McTigue, CLA.
Diane Waldron via Zoom.

1. Call to order.

Chairman Smith called the meeting to order at 8:36 a.m.

2. To discuss the June 30, 2022 Audit with CLA and to take any action as necessary.

Nikoleta McTigue explained she was here to discuss the Governance Communications Letter which goes over the auditor's responsibilities of the financial audit, as well as the state and federal single audit. Their role is to identify and assess the risks of material misstatement of the financial statements and material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. They will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement. They will obtain an understanding of internal controls relevant to the audit, but will not express an opinion on the effectiveness of the internal controls. They will communicate any significant deficiencies or material weaknesses in internal controls relevant to the audit of the financial statements.

For example, activities allowed or not allowed, is the invoice approved properly, is the invoice allowed by the grant in accordance with the compliance requirements. The finance governance communication report format is changing when the audit is issued from a 3-4 page report to 4-5 pages, including the statement of auditor responsibilities. The risk identified as management override of control is a risk that is identified for all entities.

Nikoleta explained the auditors will be in the field next week, the team has met and has a plan in place. The City and BOE have been sent requests for information for preliminary field work. Major programs have been identified for the State & Federal single audit and information will be gathered for testing. Final field work will begin on October 31 and continue for three weeks, which should allow the audit to be completed by December 15 to allow for filing by the December 31 statutory deadline

Commissioner Heiser questioned how this Committee is informed on the progress of the audit. John explained if Diane and Robin feel there is an issue they would communicate. John stated the BOE has a new Finance person, which raises concerns for him.

Diane discussed the new GASB leasing requirement for the current audit and that next year's financials will also include similar disclosures for software licenses. When Diane was at the GFOA conference she watched a demo of software that will assist in gathering and evaluating the data needed from the leases to meet the reporting requirements and is recommending the City use DebtBook to get this process going as soon as possible. The cost is less than $10,000 annually. The first year includes set up, and going forward City Staff will be able to update the software with new leases. The City is committed to finish the audit by December 31, however 90 days is required by DebtBook. Other communities and CLA clients are using this program. There is indemnification contract language within the contract, and Diane did discuss this with the Mayor and John and understand the timeliness to get this done. She is reviewing it here with another 3 members of the Board of Finance so the work order can be signed so DebtBook can start before the end of the week. Corporation Counsel has also reviewed the contract. Glenn questioned what was being indemnified. Diane read the language, which is mutual indemnification for the City. The funding for this was not included in the budget, however there are funds available in the BOF budget for additional audits. Diane views this as additional work that has to be done for the audit to be completed.

Nikoleta stated other communities are using the software, but this is the first year the GASB statement is in place and required for the audit. Robin explained the City has about 30 leases combined with the BOE, Water and BBHD. Diane stated when the information is input it can be shared with the Committee. Diane explained all leases have a clause, should the BOF not fund the appropriation in the following year, where the lease can be terminated.

Nikoleta explained the auditors welcome communication from the Committee, any questions on the audit or the process to reach out. The second week of fieldwork would be ideal timing for a status meeting. An opinion is given on every major fund, which the Water Department is part of, their internal controls are reviewed similar to the BOE. In the future, this would be an area John would like a special audit to review.

John questioned if an audit has ever been done on the Pension Fund, Diane is comfortable with the benefit calculations, and there has been discussion on auditing or analyzing the fees.

Nikoleta McTigue left the meeting at 9:11 am.

The Committee discussed the auditors who are in year 5 of their contract, it was three years with two one year renewals. ARPA Funds will need to be reported as a major fund and will cause more work for the auditors. We can expect to see increased fees because of this. Also, the BOE ARPA funds are a significant amount.

John feels they need to sit with Corporation Counsel regarding indemnification language. Diane stated this issue has come up at the Retirement Board meeting as well as the language is in many pension contracts.

3. Adjournment.

Commissioner Maikowski made a motion seconded by Commissioner Heiser “to adjourn” at 9:31 a.m.

Jodi A. McGrane
Recording Secretary