



FINANCIAL AUDIT ADVISORY COMMITTEE

Report

Wednesday April 22, 2020

Present: Councilor Kalis (Chair), Councilor Markiewicz, Councilor Bowman, Kathy Shields School Committee member, David Spector Citizen Representative, Terry Finn Citizen Representative, Carl Valente Citizen Representative, Jason Chow Citizen Representative

Also present: Maureen Lemieux Chief Financial Officer, Liam Hurley Assistant Superintendent of Newton Public Schools, Joe Mulvey Chief Information Officer, Stephen Marshall Director of Business Services for the School Department, Matt Hunt and Jim Piotrowski, Auditors

Matt Hunt's, the City's Independent Auditor, presentation is attached to this report.

Auditor's Comments and City's Responses:

Mr. Hunt first went through the Management Letter and more specifically the unresolved prior year comments. Mr. Hunt explained that the City did implement Munis and the Management Letter outlines ways that the City could use Munis to their advantage. This includes the ability to roll budgets over to each fiscal year. Steve Curley, Accountant for the Comptroller's Office explained that multi-year budgets have been set up to roll over.

The next topic deals with payroll accrual, which has been discussed with Maureen Lemieux, Chief Financial Officer and Sue Dzikowski, Comptroller. The City has had conversations about moving the implementation date to January 1st, 2021 instead of July 1st, 2020. Ms. Lemieux explained that the City has been working to implement payroll on July 1st and have had several meetings with Liam Hurley, Assistant Superintendent, and Sean Mannion, Senior Budget Analyst to make sure the City and the Schools are reaching milestones so that the implementation can take place on July 1st. Ms. Lemieux explained that because of the current climate the reality of implementing the payroll system is up in the air. Joe Mulvey, Chief Information Officer, explained that in some ways with employees working from home the IT department has been able to focus more on the project at hand. But it may be more difficult when employees will only be back for a short period of time when this is implemented. Additionally, Mr. Mulvey explained that at this point the department is moving ahead with the project as if it will be implemented on July 1st. Once the payroll is implemented Finance plus will no longer be used.

Mr. Hunt also explained there is a Year-End comment of having all of the deposits centralized with in the Treasury Department. This was a comment that Mr. Hunt recognized would be more difficult to implement during this pandemic. Ms. Dzikowski explained that Rosemarie Woods, the City's Treasurer, should be present for this conversation.

Mr. Curley noted that the City is continuing to learn different ways to implement Munis.

Additionally, Mr. Hunt explained the prior year comments that deal with school activity funds. Mr. Hunt explained that these comments deal with Newton South High School and Oak Hill Middle School. The recommendations were related to maximum balances in the student activity funds, using the Munis student activity modular and there was a recommendation that the School Department should use wire transfers for fund reimbursements from the agency account. Mr. Hurley explained that the School Department has investigated these recommendations. Additionally, Mr. Hurley explained that they will discuss the wire transfer recommendation with Rosemarie Woods, the City's Treasurer. Stephen Marshall, Director of Business Services for the School Department explained that they had reached out to Munis regarding the student activity modular but are currently working on the payroll conversion.

Mr. Hunt also explained the prior year comments regarding police details. With Munis there is the opportunity to integrate all of the procedures that go along with police details. The first project that needs to be completed is the implementation of payroll.

The next prior year comment that was explained was high school fees and game receipts. Mr. Hunt explained that they had recommended that there should be formal procedures put in place and noted that Mr. Hurley had sent him some draft procedures. Also, there were recommendations about reconciliations, manual processing of receipts and keeping track of refunds. Mr. Hurley explained that there is a broad financial procedure template that they did send to the auditors that will now be updated to go along with the implementation of Munis. Additionally, Mr. Hurley explained that the School Department is in the process of implementing a new payment process with Hartland ("My School Bucks"). Mr. Marshall explains that the new system will be more expedited. Mr. Hunt explained that at the end of the day the School Department needs to do what works for them.

One of the current year comments dealt with the IT Department. Mr. Hunt explained that there were recommendations about the complexity of passwords and on internal and external vulnerability scanning. Additionally, Mr. Hunt explained that they recommend that a third party does a review of the overall IT system. There was also a comment on establishing more formal procedures and policies in the IT Department. Mr. Hunt also explained that they get a list of terminated employees to test if they are still active. The findings from that was there were still some terminated employees who were active on City systems. Mr. Mulvey explained that everyone's passwords have been changed and at some point, the IT Department would like to make this automated but that is not a possibility at this time. Additionally, Mr. Mulvey explained that they do internal and external vulnerability testing annually and the results have been favorable. Regarding policies, Mr. Mulvey explained that there is a policy that is somewhat out of date and the department is working on independent policies that will work together.

Lastly, Mr. Hunt explained their recommendations for the Inspectional Services Department (ISD). The recommendations included centralizing their procedures and policies and because ISD has a separate software system there should be a formal reconciliation between their system and Munis.

There was no ISD representative present, but Mr. Hunt explained that they do follow up on these comments every year.

Special Projects:

Mr. Hunt explained that when putting together the below list he looked at what projects they had chosen for other cities and what Newton had chosen for special projects in the past.

Potential Special Projects for FY20-

- Police Details
- Police Overtime
- Continuing Education Programs
- Pre-School Programs
- School Building Rentals
- Parking Meters/Violations

The Committee made the following comments regarding Special Projects for FY20:

The auditors should investigate parking meters/violations. There is a lot of confusion on where residents should go to appeal and pay for their parking violations.

Regarding the previous comment, Ms. Lemieux explained that the City is in the process of replacing all the City's parking meters, so it may not be the best time for that to be a Special Project.

The Continuing Education Programs and the Pre-School Programs do have a larger amount of revenue than School Building Rentals. If the Committee are choosing between these two programs than Continuing Education might be a better topic because it involves more participants and a lot more irregular payments/refunds. The pre-school program has more of a regular tuition fee.

The auditors should investigate the Police Details and Overtime.

Regarding the previous comment, Ms. Lemieux explained that several years ago they worked with the Law Department on the payments for Police Details and that there have been groups over years that have not paid the City back for the police details; which the City has gone after legally. If the group hasn't paid for past details, then they are put on a "No Detail" list until they pay the City back.

Investigating police details and overtime might be a better topic to discuss when the City has fully implemented the Munis system. Other committee members discussed that it may be better to investigate the process for police detail payments before Munis is implemented. If people not paying for details is a problem in Newton, then this needs to be investigated.

Mr. Hunt noted that to get enough substance out of both police details and police overtime they will need to be two separate projects. If the Committee were looking to pick between details and overtime it would make more sense to start with details.

The procedure for appealing parking violations could be taken up by the City Council and not necessarily the auditors.

The Committee decided that the auditors should investigate Police Details and the Continuing Education Program as the Special Projects for FY20.

Expectations on Audit Process:

Ms. Dzikowski explained that the key date is when the auditors will do their in-person audit at City Hall. The City typically starts right after Columbus Day, which would be October 13th. Mr. Hunt explained that if the City will be ready on October 13th than that is the day they can start. Additionally, Ms. Dzikowski explained the auditors have been good about completing the CAFR before the Moody's rating call which is generally in January or February. Ms. Lemieux explained that she likes to be in a position where the City can sell the bonds in January, which means that everything would need to be finished by the 1st of the year.

Mr. Hunt asked if the City would need to have a final CAFR issued with a signature by January 1st? Ms. Lemieux explained that the City would need this by January 1st if the City were to do their rating call in January and sell the bonds in January. Mr. Hunt explained that there should be a conversation in the future with the City's financial advisors to decide what the timing really needs to be.

The Committee asked the following questions:

Q: If the date of July 1st is not met would the City go off cycle and implement the new payroll system for half a year or would the City wait till next year?

A: Mr. Mulvey explained that they have not discussed this in much detail yet. Additionally, he explained that having a start date of January 1st may be more appealing for some because that is the beginning of the calendar year. Mr. Mulvey explained that on the City side they are still perfecting the exports from Finance plus into Munis. Both the City and the School Department have been working on this project. There has not been any testing yet for data entry clerks; that would be done closer to the live date.

Q: Do employees need to be back at City Hall for the new payroll system to launch?

A: Mr. Mulvey explained that the logistics for bringing on a new payroll system to all the payroll clerks is daunting with everything in the City's favor. The COVID-19 pandemic has made it more difficult. Additionally, Mr. Mulvey explained that there are a lot of moving parts and he does not have a clear answer to this question. Ms. Lemieux explained that the City has been successful with performing payroll throughout this pandemic.

Q: Has the City been tagging its assets?

A: Ms. Dzikowski explained that the City keeps an excel file that was started by Comptroller David Wilkinson.

Q: Has anyone discussed the removing of terminated employees with HR?

A: Mr. Mulvey explained that if an employee is leaving under duress than IT is brought in immediately, if the employee is retiring then Kelly Byrne notifies the IT department and if the employee is just moving on it is up to their department to let IT know.

The next two Financial Audit Advisory Committees meetings have been planned for October 1st, 2020 and December 9th, 2020.

Respectfully submitted,

David Kalis, Chair