

**Audit Committee
January 24, 2025
Meeting Minutes**

Members Present: Frank Myers, Sherene Gravatte, Tom Henry and David Mercanti

Others Present: Melaney Berns, Assistant Finance Director, John Morton, Internal IT Auditor, Raelene Menominee, Town Clerk, Ron Calef, Rich McHugh, Theresa Keil, Rosemary Hardiman, and Bruce Frye

Mr. Myers called the meeting to order at 10:01am.

Approval of the Agenda

Mr. Mercanti made a motion to approve the agenda. Mr. Henry seconded and the motion passed unanimously.

Approval of the Minutes from the July 26, 2024 meeting

Mr. Mercanti made a motion to approve the minutes from the July 26, 2024 meeting. Mrs. Gravatte seconded and the motion passed unanimously.

Report from the Internal Auditor

Mr. John Morton gave his report to the Audit Committee. He explained Mrs. Connery keeps her office well organized. She has reference material available and shows why and where the Town's money has been spent. She has the checks and credit card statements on file and available for review. He quizzed finance personnel and found the employees to be in compliance with the Town's Department of Finance Procedures. Mr. Morton explained his monthly audits always contained: an accounts payable summary, a review of all town bank accounts, confirmation that transfers between bank accounts were received and recorded correctly, verification that checks all bore the mayor's signature and the backs were properly endorsed. He also completes a thorough review of all purchases on town credit cards each month.

In addition, Mr. Morton observed that Parking Enforcement personnel properly verified payments of parking tickets and managed change and parking pass machines. All actions conform to policies and procedures. He also met with Mrs. Berns to discuss payments for services processed, home rental licenses, business licenses and rental tax. Mr. Morton noted all actions conformed to policies and procedures. He also audited front desk personnel and change boxes, all which have been in order.

He noted this year that Mrs. Connery disseminated a "Purchasing Policy Update" which allows managers to make proper decisions concerning purchases.

He noted overall that he had no concerns with the operation of Town departments. All tasks for the 2024 Internal Audit Plan were completed and he did not run into any resistance from Town staff.

Discussion, Consideration, and Possible Vote on the Internal Audit plan for the calendar year 2025

Mr. Morton made two suggestions for items to be deleted from the audit plan moving forward. He suggested deleting “Inspect adjusting entries done through journal vouchers” and “Examine a sampling of property tax and water account adjustments for supporting documentation”.

Mr. Morton explained that journal vouchers act as a “diary” for the Finance Department. As the internal auditor, he can see if Mrs. Connery is maintaining a book, but that’s it. The external auditors have programs and algorithms that can tell if something is out of the ordinary. Mr. Morton said that performing a cursory monthly examination is not likely to reveal mistakes or wrongdoing.

Examining property tax adjustments is a function performed by the Finance Department and reviewed by the Town Council. Mr. Morton said other than seeing if the adjustment list exists, he does not have the tools to determine the time periods involved and the calculations for the adjustments. He said performing a cursory examination is not likely to reveal mistakes or wrongdoing.

Examining water account adjustments is another function performed by the Finance Department. Adjustments are made when requested by the property owner, not monthly. Mr. Morton reported asking the Finance Department to provide a monthly report is just another burden they do not need. He explained that a property owner may request an adjustment in May, but the investigation may not be completed and a refund granted until July. He said performing a cursory examination is not likely to reveal mistakes or wrongdoing.

Mr. Myers said the journal vouchers are in the general ledger. It is a financial transaction that flows into the general ledger and shows up on the financial statements. Mr. Myers was looking for a system that would find abnormal transactions buried under normal transactions. If there is a volume of these transactions going on it could mean, there is an issue. If there is an issue in how Mr. Morton is able to perform his audit responsibilities without increasing his workload then that should be looked at first before they drop this responsibility. Mr. Myers wants to look at what tools are available to help Mr. Morton perform his internal audit duties. His preference would be to not drop it but to look at what they can do to make it better.

Mr. Morton said the external auditor, UHY, has the capabilities to see if something is not looking right. He performs this duty by hand. Mrs. Berns said a good amount of the monthly JV’s is routine. Mr. Myers said he understood what they meant, but he was looking to explore other opportunities to proactively determine potential fraud.

Mrs. Keil asked if this would be duplicative between the Internal Auditor and the external auditors. She asked if they already had this software in place. Mr. Myers said the software already exists with the Town; Excel would be able to complete what we would need it to do as long as the data was fed into it.

Mr. Morton discussed taking the property tax adjustments and water account adjustments out of his 2024 Audit Plan. He questioned whether he would find any discrepancies in the math determined by Mrs. Berns. The Council passes these adjustment lists quarterly. She clarified that the list was mostly money owed to the Town and not money the Town owed to homeowners. They would only receive credits if a home was demolished and no longer needed trash service until the new one was built. Mr. Myers said he found no reason not to drop it.

Mr. Henry asked if he looked for duplicate addresses appearing on adjustment lists. Mr. Morton stated he would not remember a list from 2022 compared to 2024.

Mr. Myers asked why these tasks were the ones tasked to be eliminated. Mr. Morton said that he is constantly questioning things in the Finance Department. He said if he could ease that burden on the Finance Department then that is what he was looking for. Mr. Myers suggested modifying the procedures within Mr. Morton's own scope rather than dropping the tasks.

Mrs. Gravatte asked if John was the only one tracking this task. Mrs. Berns said she has her general process; Mrs. Frederick (Susan Frederick, Building Inspector) has her general process, and they track each other's work to make sure nothing has been dropped or forgotten. Mr. Myers asked if Mr. Morton did 100% or sampling. Mr. Morton replied he did a sampling. He also let the Committee know that he is now the full-time front desk clerk so when he is not at the front desk that pulls someone else from their duties to cover for him.

Mrs. Berns asked if the Committee would like to have a specific focus for the coming year.

Mr. Mercanti said last year they did the cybersecurity training. Mr. Morton said that Will Wharton (IT Director) implemented this policy. There was a pretty good return rate.

Mr. Morton also discussed with the Committee that the Town released the 2025 personnel manual. The acknowledgement page at the end gets put in the employee's personnel file.

Mr. Mercanti also discussed software for rentals that was discussed at a previous meeting. Mrs. Berns said that she had looked into the rental licensing software.

Mr. Myers said the Committee should continue with the cybersecurity theme. He believed that a formal external security IT audit should be conducted. Mr. Myers believed that there was great value in looking into licensing, targets dynamics and who owns what. One-to-two-day rentals are being banned in many communities because they are changing the dynamics of neighborhoods. Rentals are an issue that cannot be avoided but should be investigated as a long-term issue.

Mr. Henry made a motion to investigate the possibility of having an IT audit as part of the 2025 Audit plan. Mr. Mercanti seconded and the motion passed unanimously.

Discuss the external audit schedule for the coming year

Week of May 5th for the external audit schedule. Roy Geiser will be the staff accountant. Field work is conducted the first full week of May. Friday, May 9th at 10am. They will give us an update following the field work.

Setting the July meeting date. The council meeting is July 18th. Mrs. Berns suggested Monday, July 21st or Friday, July 25th.

The Committee decided that Monday, July 21st is the scheduled date for the third meeting of the year.

Public Participation

No public participation.

Motion to Adjourn

Mr. Mercanti made a motion to adjourn at 11:00 am. Mr. Henry seconded and the motion passed unanimously.