

Minutes
CHARLOTTE TOWN AUDITORS
Meeting
Wednesday, June 4, 2014 at 2:00 p.m.

This was a joint meeting with the Selectboard. A representative of Sullivan & Powers was invited to discuss internal controls, capital assets and the FY2014 audit. Accountant, Richard Brigham attended.

Present: Dean Bloch, Jenny Cole, Mary Mead, Lane Morrison, Charles Russell, Ellie Russell, Fritz Tegatz, Peter Trono, Nancy Wood

Rick Brigham talked about his observations so far and made several suggestions for the development of Town financial policies and procedures. He described Charlotte as a middle-sized municipality. Charlotte already has an ordinance manual. He recommended also having a contract/agreement manual that would include lease agreements and active contracts (MOAs, grants, loans), and a procedures manual or “cookbook” for employee procedures, such as bill-paying and payroll. Use of digital format is up to the organization. He talked about going department by department and asking employees to describe what they do and how they do it. There should be cross training so employees can do others’ jobs. In a discussion of fraud risk assessment, he recommended talking to department heads to determine where there is risk, and what questions people have. The Town currently doesn’t have many controls. One person should monitor petty cash.

An internal control manual was discussed. Rick provided Mary Mead with sheets of controls to look at. (Nancy Wood suggested that the Town Auditors get copies.) He talked about signing of bills and warrants, and stated that signees should understand what their signatures mean/what they are approving.

Special Revenue Funds and monthly reporting by the Treasurer to the Selectboard were discussed. The Town may want to eliminate funds no longer active. The question was raised whether Trustees of Public Funds should be bonded. The Treasurer is bonded. It was suggested that the Vt. League of Cities and Towns be contacted to get a list of people who are bonded.

The authority of the Cemetery Commission and Library Board of Trustees was discussed. Cemetery money should be with the Treasurer. The Commission can approve bills. By statute, the Library Trustees have full power to spend money. They currently are signing off on Library expenditures. Rick felt that it does not hurt to have the Selectboard sign off as an added control. There was discussion about who maintains the library building.

The Library has recently gotten a credit card. Rick questioned whether the Library Trustees had authority to borrow money. Charles Russell talked about the Selectboard’s research into the independent authority of the Trustees. Jenny Cole suggested that the Selectboard come up with a Town credit card policy.

Rick described how he will carry out the audit. He will visit the previous auditor, and will also have an informal discussion with the auditor for Charlotte Fire & Rescue to determine how to do

the audit review of financial transactions between the Town and Fire & Rescue. Nancy raised the issue of the capital assets list. There is a module in NEMRC for fixed assets. Sullivan & Powers can assist with the list, the work being an additional cost beyond the existing contract.

Rick raised the question of the Town switching from accounting on accrual basis to cash basis. He said the Town does business on cash basis and converts to accrual at the time of the audit. Even though accrual is in line with Generally Accepted Accounting Principles (GAAP) and is more accurate, he said that cash basis would be simpler and could be used for a smaller town. Cash basis accounting does not require a capital assets list. In this list, property is listed at purchase price minus depreciation, not replacement value. There was discussion of looking at examples of auditors' reports for towns using cash basis.

The Selectboard would like to meet again with Sullivan & Powers during the week of June 16. The Town Auditors will meet prior to this meeting, date and time to be determined.

The Selectboard meeting was adjourned, and the Town Auditors continued their discussion with Rick Brigham.

The Auditors minutes from May 14 were approved.

There was continued discussion about cash vs. accrual accounting, capital assets list, GAAP requirements, monthly reconciliations and splitting up of duties. The person who signs checks should not also reconcile. Without additional controls, the use of a stamp to sign checks presents greater risk. The process for Selectboard signing of warrants was discussed.

The meeting was adjourned at approximately 4:30.