

CHARLOTTE TOWN AUDITORS
Minutes of the Monday, May 20, 2013, Meeting
At the Charlotte Town Hall

Present: Town Auditors Nancy Wood (chair), Peter Trono, Robert Mack

Others: Selectboard Chair Charles Russell, Town Treasurer Mary Mead, Gordon Brown

- The meeting was called to order at 3 p.m.
- Minutes of the May 13, 2013, meeting were approved on a motion by Peter Trono, second by Nancy Wood, two in favor. Robert Mack arrived after the vote at 3:15 p.m.
- Discussion of recommendations to Selectboard re: CVFRS accounting procedures and financial reporting requirements for inclusion in the legal agreement between the Town and CVFRS:

Wood presented a draft for discussion, emphasizing the importance of establishing an agreement between the Selectboard and CVFRS before there is a transfer of CVFRS accounting for Town Funds from Town Treasurer Mead to a bookkeeper hired by CVFRS. Mead reiterated her belief that CVFRS is operating a Town service with taxpayer money and that the Town should have control of the numbers. Russell reiterated his understanding that it had been settled at Town Meeting in March that CVFRS would be taking over the accounting. After detailed discussion of possible recommendations, the auditors voted to approve the following recommendations to be presented to the Selectboard at its Tuesday, May 28, 2013, meeting (on a motion by Trono, second by Mack, unanimous approval):

**Recommendations from the Board of Town Auditors to the Selectboard
related to CVFRS accounting procedures and financial reporting requirements
for inclusion in a legal agreement between the Town and CVFRS**

1. Before there is a change in the current arrangement with the Town Treasurer handling the bookkeeping for the Town-funded operating account of CVFRS, including transfers of patient billing revenues to the Town, an agreement should be in place defining the accounting procedures and timing and format of financial reports that will be provided by CVFRS to the Town.
2. Completion of implementation of the recommendations of the Independent Auditors (Batchelder and Associates) should coincide with any change in how and where the bookkeeping will be done. Of specific importance are the consolidation of all accounts (operating and special funds) on one financial accounting system (Item 2 of Prior Year Recommendations) and establishing a contract between the Town and CVFRS which outlines the roles of funds or appropriations to be allocated to each entity and responsibility of record keeping (item 2 of Current Year Recommendations).
3. As the target date of CVFRS to implement these changes is July 1, 2013, while the target date to complete the full legal agreement with the Town is not until August 30, 2013, we recommend that a separate financial reporting

agreement be reached as soon as possible – in advance of July 1 - that can be incorporated into the final agreement when it is finalized.

4. We understand that CVFRS is developing a job description for a person to be hired to handle the accounting for CVFRS. We recommend that the Selectboard have a role in developing this job description in order to be confident that the individual hired has the accounting expertise needed to carry out the complex recommendations of the Independent Auditors and provide timely and accurate reports required by the both the Board of CVFRS and the Selectboard. The Selectboard should also have input about the location where the bookkeeping will take place.
5. We recommend that the financial agreement between the Selectboard and CVFRS be specific to timing and the types of reports that the Selectboard expects to receive:
 - a. Patient revenue: We recommend the continuation of the procedure currently in place with the Town Treasurer, which includes twice- or once-a-month transfer of patient billing revenues to the Town, depending on the frequency that payments are received from Newport Ambulance Service. A packet from Newport is received twice- or once-a-month with the checks they have received and a statement of those revenues and the federal (Medicare and Medicaid) revenues that have been direct deposited. The checks are deposited in the CVFRS operating account, and a transfer of the total amount received (checks plus direct deposits) as of that date is paid immediately to the Town. If the bookkeeping is being done at CVFRS, we recommend the same timing of transfers to the Town with a report that reconciles the amounts received by CVFRS (checks plus direct deposits) with the amount paid to the Town, and that reconciles the 8% bill from Newport for processing with the actual amounts received and transferred.
 - b. Financial statements: We recommend that there be monthly financial reports in a format acceptable to the Selectboard, specifically:
 - i. Consolidated (operating fund and all special funds) balance sheet, with breakout by class (ie, by fund type)
 - ii. Consolidated actual-to-budget profit and loss (current and year to date), with breakout by class (ie, by fund type).
 - iii. Bank reconciliation report
 - c. Budget format (early fall presentation): We recommend that the budget be presented in the same format as the consolidated financial statements, broken out by class to identify the allocation of anticipated revenues and expenditures among the operating fund and special funds. (See attached pro forma FY 2014 budget example of how this might be done.)
 - d. Other reports: In addition to the reports above, we recommend that the following reports be provided monthly to the Selectboard:
 - i. Patient billing comprehensive report update
 - ii. Fire & Rescue Call reports

- iii. Other reports listed in the Selectboard's MOU draft such as minutes of CVFRS Board meetings and reports reviewed at those meetings.
 - 6. Inventory of equipment: We recommend that the inventory of equipment and clarification of ownership by Town or CVFRS be completed as soon as possible, including depreciation schedules, in order that both the Town and CVFRS fixed asset balances on July 1, 2013, are accurate.
 - 7. Annual Audit by independent auditors: We recommend that the annual financial audit of CVFRS be conducted by the same auditors as for the Town, that the timing be similar to that of the Town audit, that the review and approval of the audit be jointly conducted by the CVFRS Board, the Selectboard and the Board of Town Auditors, and that this review and approval take place in time for inclusion in the Town Report.
- Other Business:

Trono raised the issue of Rice Lumber invoices that over a period of time show over \$2,000 in tool charges by an independent contractor. He raised various questions about the propriety of these charges, and said that 1) the rate charged by an independent contractor should include the use of his own tools; 2) it is inappropriate for tools that will be used for other than Town projects to be charged to the Town, using the Town's non-profit tax exempt status. Russell said that the charges were more significant than he had thought, and he would review the invoices. Trono said he thought this should be resolved before there is consideration of accepting the bid for the Town Hall window project from this contractor.

Additional issues were raised by Wood related to independent contractor status. One of the state tests for determining the employment or independent contractor status of a person is whether or not the person provides his/her own equipment when doing work for the Town. Also the Town, according to Mead, has already been warned that contractors need to show proof of carrying their own Workers Compensation insurance in order not to be included as employees in the Workers Compensation audit. Proof of other types of insurance, including general liability, should also be required in a contract.

Trono is reviewing the RFP process and contract requirements, which, in the future, can help the Town avoid issues such as these through the bidding process.
 - The meeting was adjourned at 4:25 p.m. until the evening of Tuesday, May 28, 2013, Selectboard meeting when the Town Auditors will present the above recommendations for financial reporting by CVFRS.

Tuesday, May 28, 2013 continuation at the Selectboard meeting.

Town Auditors Wood, Trono and Mack present during meeting. Wood presented the recommendations for the financial agreement between the Selectboard and CVFRS be

specific to timing and the types of reports that the Selectboard should expect to receive. Russell raised a question about payments of patient billing to the Town. Wood suggested that the financial agreement should be explicit about expectations going forward related to whether 100% of revenues from rescue operations should continue to be given to the Town as has been the agreement in the past. There was no other discussion by the Selectboard.

Town Auditors set next meeting for following week, subsequently changed to Monday, June 17, at 3 pm at the Town Hall.

Final adjournment was at end of Selectboard meeting at approximately 10:15 pm.

*Respectfully submitted,
Nancy Wood, Chair*

May 20-28, 2013, minutes approved at the June 17, 2013 meeting.