

Selectboard and Town Clerk/Treasurer Working Meeting
7 June 2023
5:00 PM
Town Office at Isle La Motte School and via Zoom

In Attendance: Mary-Catherine Graziano, Rusty Spaulding, Steve Mank, Cary Sandvig, Debbie Spaulding, Erin Gilligan, Peter Brzozowy, Barbara Callahan, Sylvia Jensen, Beth Meese (via Zoom), Alex Montagne (via Zoom), Andrea Carbone

Meeting was called to order at 5:07 PM by Board Chair Mary-Catherine Graziano.

Steve Mank (Treasurer) requested that the session be a working meeting with questions from the public held until the end of the session due to the length of the agenda and the time required for the discussion. The Selectboard Chair agreed to hold all questions from the audience until the end of the meeting.

1. **RHR Smith audit management letters (2019 to present) review:** A review of the five audit letters was requested in order to provide an update on the status of the recommended tasks. The Treasurer pointed out that each letter contains a clause noting that the audit letters are intended for the use of the Selectboard, management, and others as approved. The Board agreed that the documents would not be shared with the audience at this time, but Mary-Catherine Graziano will confirm whether or not they are public records. Rusty Spaulding stated that he read aloud this statement before the meeting began.

The Treasurer provided a history of the Town's accounting problems, dating back to past administrations which he attributes to lack of treasurer role knowledge and training and an overall lack of adequate onboarding. The system of accounting initially established using the New England Municipal Resource Center's (NEMREC) software was a cash basis instead of a modified accrual basis, which he stated the foundation of the Town's accounting problems and noted as an item for resolution on RHR Smith & Company's (RHR) most recent audit recommendation. Furthermore, he stated that recommendations from RHR to have various staff members responsible for monthly cross-examination of reconciliations is unrealistic in an office staffed with two employees. In light of the staffing level and lack of training, he stated that the recommendation to transition to an accrual basis could not be made before this time. Steve Mank stated, upon assuming the role of Treasurer, that he was committed to straighten out the accounting issues, despite not fully understanding the depth of the problems. That being said, the Treasurer is confident that the Town is currently on the threshold resolving the major underlying accounting issues.

Reviewing the RHR annual management letters:

- 2019 Audit (Management Letter dated April 21, 2020)
 - Loan Payable: According to Steve Mank, there is no record of a contract for the loan payable to the Trustees of Public Funds, the last expired on December 31, 2019. The Trustees stated that there is a copy in their possession, and that the Assistant Town Clerk, then Board Clerk, had possession of the copy signed at the meeting. Discussion was held around how to better ensure that the Town Clerk receives contracts and documents from the Board, as the current system is not working. A process will now be put in place that once a contract is executed by all parties, the Selectboard Clerk will email a copy to the Board, Town Clerk, and Town Treasurer, then provide a physical copy to the Town Clerk and Treasurer for filing in the Town Office.
 - Bank Reconciliations: In order to comply with the secondary review as noted in the audit, the Treasurer and Assistant Treasurer alternate completion reconciliations and checking each other's work monthly.
 - I-9s: I-9s are now completed by each employee at hiring, before their first paycheck is issued.

- 2020 Audit (Management Letter dated September 21, 2021)
 - Bank Reconciliations: In order to comply with the secondary review as noted in the audit, the Treasurer and Assistant Treasurer alternate completion reconciliations and checking each other's work monthly.

- 2021 Audit (Management Letter dated April 8, 2022)
 - Posted Budget in Accounting Software: The annual budget was not loaded into NEMRC for the year 2021, this has now been completed.
 - Accounting Software Setup: As noted in the recommendations, some general fund operating expenses, such as the Recreation Department, had previously been broken out into separate funds, making it difficult to property code revenue and expenses; this was inefficient per RHR and has been corrected. Currently Trustees, ARPA Funds, Listers, and Records Restoration are carried separately. Trustee and Cemetery are required, by statute, to be held separately, while Listers and Records Restoration will be rolled into the general fund in the coming weeks.
 - Retirement Liability Accounts: Retirement bookings had previously been recorded in separate liability accounts but because there were also expenses to the account, there were issues with coding the account's revenue and expenses easily. These are now rolled into one general fund account.

- 2022 Mid-Year Audit (Management Letter updated from September 2022) - This letter was deemed irrelevant as the recommendations for the mid-year and the end of year audits were significantly similar.

- 2022 Audit (Management Letter dated February 13, 2023)
 - Posted Budget in Accounting Software: As was the prior year case, the annual budget had not been loaded into NEMREC, this is now complete.
 - Accounting Software Setup: As was the prior year case, some general fund operating expenses such as the Recreation Department, had previously been broken out; this was inefficient and has been corrected. Currently Trustees, ARPA Funds, Listers, and Records Restoration are carried separately. Trustee and Cemetery are required, by statute, to be held separately, while Listers and Records Restoration will be rolled into the general fund in the coming weeks.
 - Retirement Liability Accounts: As noted in the prior year update, retirement bookings had previously been recorded in separate liability accounts but are now rolled into one general fund account.
 - Cash Basis: As discussed at the onset of the meeting, the Town had been using a cash basis of bookkeeping in lieu of a modified accrual basis; this has now been transitioned and is nearly completed. As this was an audit directive for correction, Steve Mank did not deem it necessary to seek Selectboard approval prior to transitioning. Board Chair Mary-Catherine Graziano would like this to be formally approved at a future Selectboard meeting.
 - Bank Reconciliations: Bank reconciliations using incorrect monthly numbers are currently being addressed by the Treasurer and will be reviewed in the next agenda item.
 - Policies: The creation of formal policies for the Town has not been initiated. The Selectboard is waiting for Steve Mank to review and provide recommendations before moving forward collectively.
 - Oldest Outstanding Checks: The Town does not have a procedure for uncashed checks older than six months. Steve Mank indicated that the aging of payables should not exceed ninety days, and will be establishing a policy in the coming weeks, which will need to be reviewed by the Selectboard before enactment.
 - General Ledger Accounts: Balance sheet accounts have not been reconciled in the past, this is currently still being reconciled with the biggest barrier to proceeding the education expenses and the documentation of revisions that are made to accounts after the taxes have been paid.
 - Documentation: Disbursement and cash receipts are now printed on a monthly basis.

2. **Troubleshooting monthly budget report barriers:** Treasurer Steve Mank distributed a month-end May 2023 budget/actual report, updated using the aforementioned modified accrual methodology; the report ties to the budget and has been reconciled to bank accounts. This report also reflects the income projected for the Town for the year, which has not previously been provided in Town reporting on the NEMREC system. Going forward, the Treasurer and Assistant Treasurer have full confidence in the integrity of the report.

The Treasurer committed to providing monthly budget/actual summary updates going forward; the balance sheet will be provided quarterly and he hopes to improve upon that frequency. The cash balance currently stands at \$145,260, this is the trough period of the year in advance of the collection of property taxes. Mary-Catherine Graziano stated that she would very much like to review the Town's budget/actual summary on a monthly basis, and the Treasurer stated that he will provide that recap monthly at one Selectboard meeting under similar circumstances with questions held from the audience until the end.

The highway fund remains in flux and maintenance work is still being completed without any income, but the cash flow will cover the expenses. Mary-Catherine Graziano stated that grant work has been anticipated for a number of Highway expenses, but those projects will only be initiated once grants are secured. The Board Chair asked the Treasurer if a bridge loan would be needed to fund highway expenses in the budget that are not subject to grant money and in light of the current and near future cash influx, Steve Mank does not anticipate the need for a bridge loan. There are key areas to focus on in future discussions, including the law enforcement contract, which is trending over budget. It was noted that in advance of securing, a bridge loan must be approved by the Selectboard. If and when a bridge loan is needed the Selectboard confirmed they will make themselves available to approve.

3. **Discussion of allocation of keys for July 1 school building transfer to town ownership:** Upon transfer of ownership of the building, the Town Clerk has no desire to manage keys for any portion of the building other than the Town Office space which would require the rekeying of two doors on the east side of the Town Office. Steve Mank voiced his frustration over the access the public has had to the building during the past few months of transition and would like to move forward now with planning the building uses as if the Town owns the building rather than wait until July. The Selectboard agreed to add this to the next regular meeting agenda as there are conflicting views of access policies and procedures.
4. **Town Office garden budget and donation project:** Topic will be reviewed at a future working meeting.
5. **Digitization of town records contract review:** Topic will be reviewed at a future working meeting.

Motion to adjourn the meeting at 6:25 PM was made by Board Chair Mary-Catherine Graziano, seconded by Cary Sandvig.

Respectfully submitted on 9 June 2023 -
Andrea Carbone

Mary-Catherine Graziano

Rusty Spaulding

Cary Sandvig