

Wolfeboro Board of Selectmen
Public Meeting Minutes-Approved
December 12, 2018
Work Session

Members present: Chairman Linda Murray, Brad Harriman, Paul O'Brien, Dave Bowers and Dave Senecal

Staff present: Town Manager Becky Merrow, Auditor Tim Greene, Director Deb Zabkar, Parks and Recreation Director Christine Collins and Recording Secretary Michele Chamberlain

Chairman Murray opened the meeting at 3:30 PM.

The Board then went to tour the Community Center with Christine Collins.

The Board returned to the Town Hall to meet with Tim Greene, the auditor.

Ms. Merrow and Ms. Zabkar entered the meeting at 4:25 PM.

Chairman Murray stated the Town emailed Mr. Greene a list of questions that they would like to discuss.

Mr. O'Brien asked if other questions were sent to Mr. Greene.

Ms. Merrow stated she sent some questions relating to the Revolving Account today.

The questions are:

1. Ms. Merrow has mentioned that a practice of reopening prior years' books following an audit was done as an "acceptable practice". Ms. Merrow also refers to the changing of prior year's purchase orders from "closed" to "open" after the year had closed.

What has your experience with these issues been?

Mr. Greene stated he would expect the books to be opened to make journal entries but other than that he has not seen this happening. He stated one of the first things he does is check the balance he has with the balance he saw last year.

Chairman Murray questioned if he had found any differences?

Mr. Greene stated no, nothing that was not explainable. It is very rare to see an unexplainable difference.

Mr. O'Brien stated in October the Board was told by the Finance Department that there was an issue with this.

Ms. Zabkar asked Mr. Greene if he found anything? She questioned if he felt the difference were explainable by the prior Finance Department.

Mr. Greene was not sure.

Ms. Zabkar stated they had to reset the starting balances. There were a few instances that this happened so it sounded like it was a prior practice. We just wanted to make sure this was not a standard practice. She was concerned this was a regular practice so she wanted to make sure this did not happen.

Ms. Zabkar stated there was an instance when the year was closed and a Department Head asked to put expenses against that prior year. This was concerning to her.

Mr. Greene stated that would show up the next year and he would notice it.

Ms. Zabkar stated she comes from the philosophy once the books are closed; they are closed and cannot be re-opened.

Mr. Greene stated something might have been adjusted but this was not the practice.

Ms. Merrow stated purchase orders were allowed to be carried over. We have put a stop to that practice unless it is non-lapsing.

Mr. O'Brien stated Ms. Zabkar saw some things that concerned her but Mr. Greene is telling us that he would have picked up on those things next year.

Mr. Greene stated yes, he would have noticed them this year. He would catch them by looking at the fund balance.

Mr. O'Brien stated the question is did we do anything that could get us into trouble. He stated after listening to Mr. Greene he felt the answer to that question was no because Mr. Greene would catch it. Maybe we did something that was out of balance or a not a good policy that we should be tightened up on.

Ms. Zabkar agreed but that there were other things she was concerned about. There was a department that had a 2018 expense that put some of the money into a 2017 purchase order. She wanted to make sure that this was not happening. She stated it would not happen when she was in charge.

Mr. Greene stated he would see that.

Chairman Murray asked Mr. Greene if he saw something like this if he would have mentioned it to the Board.

Mr. Greene stated these might be instances that do not reach back to the Board. He would do a corrected journal entry and let the Finance Department know unless it was something that he saw over and over again.

Chairman Murray stated if there were a number of these instances then it would have been mentioned.

Mr. Greene agreed. It would be his responsibility to point it out.

Ms. Zabkar stated she felt it was her responsibility to bring things instances to the Board's attention.

Ms. Merrow stated as the Town Manager she felt she should be signing off on things as a control measure to the Finance Department. She asked if the books were reopened if this would happen. She has a responsibility to supervisor. The flow needs to be from the Auditor to the Finance Department and from the Auditor to the Town Manager.

Chairman Murray stated we are trying to find out if we had problems over multiple years and if it was a chronic problem. It sounds like Mr. Greene is saying it was not a chronic problem.

Mr. O'Brien stated if it did happen then Mr. Greene would see it.

Mr. Greene stated it should show up.

Mr. O'Brien questioned if the quantity of journal entries are normal, extraordinary or below average?

Mr. Greene stated the entries are above average.

Mr. O'Brien asked if they were above average in dollar amount or quantity.

Mr. Greene stated he looks at quantity.

Ms. Zabkar questioned if Mr. Greene was looking at details of the accounts or just balances of the accounts.

Mr. Greene stated he was looking at details.

2. The Wolfeboro Police Revolving Account has shown a significant surplus in the past few years. The current team is unable to verify if, during the audits, an effort was made to balance the account.

If you did balance the account, what was your method?

Had you been asked to investigate by the prior Town Manager or Finance Director?

Ms. Merrow believes that we may have underpaid NHRA NHRS funds for two officers. Ms. Merrow has reported this issue to NHDRA. NHRS has requested an audit. Can you help her/us understand if her suppositions are factual?

Do you verify that the Town has paid the required amount to the NHRS?

What is your advice going forward?

Mr. Greene stated he would recommend that this have its own account. We get our information from the Police log. We look at the invoices and compare them to the Police log. We test how you process disbursement checks and how you process payroll checks. We do a separate test of your retirees and new hires. We make sure you have the required paperwork for new hires. We would not have seen if employees were not charged the right amount to NH Retirement because it would be done through your payroll. We asked the Town to provide us with a spreadsheet and we compare that number to your ledger to make sure the number agrees.

Mr. O'Brien stated does it mean if we take the amount at the gross level and we make sure it was paid at the gross level and then the disbursement is verified. We may not be in hot water with NH Retirement but we don't know why the Revolving Account is over.

Ms. Merrow questioned if Mr. Greene knew that an officer was only paid 26% to NH Retirement when it should have been at 29%.

Mr. Greene stated he would not know if someone was set up in the system wrong. If everyone is in the system wrong we are not verifying that information.

Ms. Zabkar stated if the percentage were entered wrong then Mr. Greene would not have known this.

Mr. Greene agreed.

Ms. Zabkar stated there were some errors and the prior Finance Department was getting letters about these mistakes. There was a percentage amount that was not changed in the payroll system.

Mr. O'Brien stated there were a couple of patrolmen that were affected.

Mr. O'Brien stated we did a mistake with the calculation but we did send the money to NH Retirement and they confirmed we sent them the money but they did not confirm that the calculation was correct.

Ms. Zabkar stated we did receive letters that our calculations were not correct.

Chairman Murray stated we did pay.

Ms. Merrow stated the letters should have been shown to someone else besides the person that was entering the amounts. The Town Manager should have seen these letters.

Chairman Murray stated she just wanted to make sure we did not have a huge bill that was owed.

Mr. O'Brien stated this is a process that needs to be fixed within the Town not with the Auditor. The Town Manager should have been aware of these types of letters. He questioned if the Revolving Account was okay now.

Ms. Zabkar stated she has made corrections. We are probably in okay shape with the balances right now. She suggested leaving in a few thousand dollars for a buffer in the account.

Mr. O'Brien asked if an audit was needed. It was mentioned before that an audit was needed.

Ms. Merrow stated she would like the NH Retirement State Auditors to review a few things. We are scheduled to have an audit every 4 – 6 years.

Ms. Zabkar stated the last audit was done 4 years ago so they would be coming shortly anyways.

Mr. O'Brien stated our auditor is not part of that correct?

Mr. Greene stated he was not part of it.

Mr. O'Brien asked Ms. Merrow if she still felt this could result in fines.

Ms. Merrow stated by telling NH Retirement now that it could prevent the fines. We received a lot of letters from them and no one fixed the problem.

Mr. O'Brien stated we may have had some bad processes happening but we paid. We made the payments.

Ms. Merrow stated we should be in good shape.

Ms. Merrow questioned a \$30,000.00 account hitting an expense account in Highway.

Ms. Zabkar stated she felt there was a hole and she thinks one of the adjusted entries was to fix that hole. She did not do it so she was not sure.

Mr. Greene stated he looks at functional level only. He had an error in his software system in 2017 but it has been corrected.

3. We could use your advice on a few specific items:

a. The Town currently maintains a fuel account within the Highway Department. Supposedly the Department charges each other Department for fuel. Is this a proper way to do this or should fuel be placed on the balance sheet and expensed, at cost, to the departments?

Mr. Greene stated the fact that it is being done in gross he did not see it as bad.

Mr. Greene questioned if the Town had measured their tanks. Does the prepaid total go against what is in stock?

Mr. Harriman stated we need to do a reading once a year.

Mr. O'Brien stated we need a beginning balance and an ending balance of what is in our tanks.

b. We are told that NHDRA does not view the current form of Administrative Allocations as a best practice method. Is this true? And if so, what would you advise?

Additionally, the rationale underlying the current allocation methodology is not known by our Town Manager. And according to our Finance person, the prior Finance person has no knowledge of the rationale either. Do you have anything in your files as to the logic and rationale for the allocation methodology?

Mr. Greene stated he was not aware of the current allocation methodology either.

Ms. Zabkar stated we are reporting it as revenue to the general fund so is it actual revenue or is it an expense.

Mr. O'Brien stated the answers to the questions are that Mr. Greene does not know the best practice method or our methodology.

c. We are told that the current method of balancing the checkbook and not using MuniSmart is not a best practice. The current Finance person has indicated that "of approximately eight funds in MuniSmart, not one has a verifiable and correct trial balance".....

Please advise us on your perspective for this issue.

Ms. Zabkar stated she is still working with the former Finance Director to help with some of these concerns. John Burt, the Treasurer is fantastic but he is retiring. We can not use the module in the computer system to balance the checkbook.

Ms. Merrow stated the biggest problem is deposit in transit.

Ms. Zabkar stated one of her goals for 2019 is to get the cash balancing under control. We are balancing to the Treasurer. We are not balancing to the bank statement.

Mr. O'Brien asked Mr. Greene for his opinion.

Mr. Greene stated there are always a few items that are reconciled items between the General Ledger and the bank statement. He felt that things had always been reconciled on paper.

Mr. O'Brien stated we need to rethink or think differently about how we put the software assets to work.

Ms. Zabkar agreed and stated hopefully we will have new software in 2020. She stated the Tax Collector has been very helpful in trying to figure out some of the problems with the EnQuesta software. Ms. Zabkar stated she is still working with the former Finance Director on cash balancing. She stated if they were going to write off \$1,800.00 she would like the Town Manager to sign off on the discrepancies.

Mr. O'Brien and Mr. Senecal stated \$1,800.00 is not bad when you are dealing with \$27 million dollars.

Ms. Zabkar stated this will be the first place she has worked where she has not balanced to the penny.

d. As our auditor, are we providing an appropriate end of year unrestricted unassigned fund balance? And are we acting appropriately by using some or all of those proceeds to buy down the tax rate?

How does the 2002 Article 16 affect Wolfeboro's unassigned fund balance?

On what page of the 2017 would someone find the enterprise funds cash balance? Is this the same as unassigned fund balance in the general fund?

Mr. Greene stated it would be on page 20 – the unrestricted funds. The enterprise funds are not included in this at all.

Should the cash in the enterprise funds be included when the Board looks at whether the Town has adequate cash on hand?

e. Can you help us with a rule or guidance on the following question?

What are the correct policy/procedures for crediting (removing) funds from a capital outlay account and a capital reserve account?

Are there DRA rules governing the expenditures from capital reserve account in addition to RSA 35:15?

Mr. O'Brien asked Mr. Greene if we are doing anything dumb.

Ms. Zabkar stated are we exposing ourselves by not following DRA guidelines.

Ms. Merrow stated they are just recommendations not guidelines.

Mr. Greene stated the fund balance was 4.46% based on DRA calculations.

Mr. O'Brien questioned what DRA recommended the percentage to be.

Mr. Greene stated around 8%.

Chairman Murray stated she had a question about RSA 35:15. She asked if they were breaking any DRA rules by not including expenses in Capital Reserve Warrant Articles.

Mr. Greene stated no. It is not required.

The work session ended at 5:25 PM.

Chairman Murray stated the Board needed to take a phone call downstairs. They would return for the public session shortly.

Respectfully Submitted,
Michele Chamberlain