

## Middletown Springs Auditors Meeting

May 6, 2014 at 9:00 AM

Middletown Springs Town Office

*Official Minutes*

**Auditors present:** Juanita Burch-Clay (Nita), James Georg (Jim), Jacqueline Parker (Jackie)

**Others present:** Laura Castle

Call to order: 9:16

### 1. Minutes:

- Minutes from the March 25, 2014 meeting were reviewed and approved as edited.

### 2. Report on current activities:

1. **Review of Select Board meetings:** Quick review of topics covered at meeting on 4/10/14
2. **Reconciling bank statements:** The NMRC expert told us that VLCT recommends that an auditor be present for reconciling bank statements. The VLCT handbook suggests that someone other than the treasurer open bank statements. The town treasurer feels it is not necessary for her to be present if auditors are reconciling statements. The auditors decided that scheduled quarterly meetings to look at accounts together with the treasurer would be productive and eliminate the need for more frequent checks.
3. **Random checks:** Jackie and Jim reviewed bank statements and board orders on April 16, 2014, matching board orders with checks, deposits, etc. They followed the paper trail of one check (see discussion under Policies) and noted an unsigned check that the bank cashed. They could not check bank balances because the NMRC report was not accessible.
4. **Policies and procedures:** (see below 4.a)
  - a. We discussed the difference between "policy" and "practice".
  - b. Jim has reviewed the old road policy. It sorely needs review and updating.
5. **Review of trust funds status:** On 4/10/14 Jim spoke with Terry Redfield who reported that the Copeland Milk Fund trustees had met. The investment portfolio has been changed. We are waiting to see financial information, eg. statements from the banks handling the funds. The Copeland Cemetery Fund is apparently waiting for a meeting with the new person handling their account at the bank.
6. **Review the paper trail of the \$300,000 highway grant from the State, noted in treasurer's report of FY12:** Emails have been exchanged with the town treasurer on this topic, and more information has been reviewed. The auditors understanding is as follows:
  - a. In the FY12 treasurer's report, on page 18 of the town report, income of \$299, 483 is shown as expected Irene reimbursement. On page 13 of the town report, we see \$307,000 listed as an asset in the balance sheet.
  - b. We see that on March 27, 2013 the amount of \$307,437.23 was deposited into the Peoples Bank account.
  - c. On April 11, 2013, the sum of \$293,397.07 was paid to Peoples United Bank for funds used from the line of credit, plus interest.
  - d. So – there is a difference of \$14,040.16 between the funds that came in, and the funds that paid off the line of credit. The following questions will be sent to the treasurer:
    - i. In the FY13 treasurers report, we don't see direct reference to the above amounts. How did the treasurer incorporate them into the report?
    - ii. Where is the \$14,040.16? What accounts was it used for? How was it disbursed or accounted for?

**3. Questions for town treasurer:** The auditors have been trying to schedule a meeting with the treasurer since the last meeting - to improve understanding of various procedures, to collect information, and to find answers to various questions. The treasurer has asked for all questions to be submitted in writing in advance of any meeting. Written questions for the treasurer were developed during this meeting about moving funds from restricted accounts (see below) and about the paper trail of the Irene highway funds (see above.)

### 4. Policies and procedures for recommendation to Select Board

- a. **Road policy:** We recommend that the board review and update the road policies. As a start, there is an existing practice relevant to culverts that we suggest be turned into a more comprehensive or explicit policy or procedure, to avoid misunderstanding and conflict.
- b. **Moving funds:** Currently it appears that to use funds from a restricted account, a check is written from the general fund, and then another check is written from the restricted fund to reimburse the general fund. (eg. Claypoint Assoc. check for \$1700 on January board orders.) It is difficult to follow the paper trail of this transaction. To make this process more transparent, i.e. easier to follow, the auditors suggestion:
  - An additional category could be added to the board orders that permits direct drawing of checks from the restricted fund's checking account to the ultimate payee. That way, instead of "What's this? Why was it done? Who authorized it?", there would be a direct paper trail from authorization of the expenditure through actualization, billing and final payment.
  - Alternatively, a note on the board orders authorizing a transfer might suffice. This provides protection for the treasurer and makes the movement of funds transparent and easy to follow.
- c. **Personnel policy.** Developing a personnel policy should be a priority.

**5. Monthly Meetings:**

- Work session for financial policies: Tuesday, June 3 at 9:00
- Warned meeting: July meeting TBD

**6. Other Business:** None

Adjourned at: 11:02

Minutes submitted by Juanita Burch-Clay  
5/6/14