

MINUTES
FINANCE COMMITTEE MEETING
Tuesday, August 8, 2023 – 5:30 pm
Gorham Municipal Center, Conference Room A

Present: Council Chairman Lee Pratt, Councilor Robert Lavoie - Committee Chair, and Councilors Phillip Gagnon and Suzie Phillips.

Also Present: Councilor Vice Chairman Ronald Shepard, and Councilors Seven Siegel and Virginia Wilder Cross; CPA/Principal Partner Casey Leonard - Runyon Kersteen Quellette (RKO); Town Manager Ephrem Paraschak, and Finance Director Sharon LaFlamme.

1. Consideration of the minutes of June 9, 2023 Meeting

A motion was MADE by Councilor Gagnon, SECONDED by Councilor Phillips, and VOTED to accept the minutes of the June 9, 2023 Finance Committee Meeting. Unanimous vote.

2. Current Business

A. Review Comprehensive Financial Audit Report for Fiscal Year ended June 30, 2022.

CPA/Principal Partner, Casey Leonard, of auditing firm, Runyon Kersteen Ouellette, addressed the committee and explained the financial reporting process, and that the yearend financial statements were reviewed to ensure that they are correct. He explained that they [RKO] also perform tests that certain provisions of laws and regulations with regard to contracts and grant agreements are in compliance, and they have reported that there are no material weaknesses or significant deficiencies. He noted that they [RKO] have a number of recommendations, which he will review.

Mr. Leonard said that in 2022, because the Town and School had expended more than \$750 in federal grant proceeds, they [RKO] performed an audit in accordance with the Uniform Guidance. He said in the current year, the Town and School expended about 4.7 million in federal grant dollars. He added that this was a program-specific audit, and that in the current year, they [RKO] tested two school grants, one was a special education cluster or also referred to as a local entitlement program, and they also audited the elementary and secondary school's emergency relief fund during which there was one finding in the special education cluster, which was due to there being expenditures that were based on budgeted amounts and not actual amounts when they should be based on actual amounts; Mr. Leonard noted that as being an oversight.

Mr. Leonard said that in 2022, the Town submitted its financial statements to the Governmental Financial Officers Association per participation in the ACFR [Annual Comprehensive Financial Report] program, which is a voluntary program that the Town has participated in for 15 years. He noted that it takes the program six to nine months to review. He said the 2021 statements were submitted and received a certificate of excellence in financial reporting. He commended the Town and Finance Director Sharon LaFlamme for making that happen, which takes a lot of

extra work. He added that there are usually about 20 governments that participate in the program, and that rating agencies and the financial community at large looks at that as well.

Mr. Leonard referred the committee to turn to the comprehensive financial audit report for fiscal year ended June 30, 2022, listing the financial results for the year.

Regarding federal expenditures on page eight, Councilor Gagnon said 1.1 million was listed for the child nutrition programs. He said in reference to that program, the report reflects that the School Department has a reconciliation issue to which Mr. Leonard said that there was an issue with getting school lunch cash and school lunch receivables that he clarified were for a la carte things that still come in that are sold through school lunch.

Council Chairman Lee Pratt said that the middle school and high school have an a la carte program that brings in revenue.

Councilor Gagnon asked what the amount of money was that was in that area to which Mr. Leonard said he did not know.

Councilor Gagnon asked if RKO could bring that information back to the committee if it was a larger amount to which Mr. Leonard said – sure. Mr. Leonard said that in 2022, he believes that it was pretty small. He said that a lot of these programs have gotten pretty small that they are not doing control testing in those areas since it is not significant to the audit.

Councilor Gagnon said that the school uses a full time employee to track down past due lunch accounts, which he is confused about because the majority of the school lunch accounts are federally-funded and there is a de minimis amount of receivables.

Mr. Leonard said that in the schools, the amounts due may be from the state and not from the students.

Councilor Gagnon said he would like to know more about it and asked if Mr. Leonard could provide the information, because they have a full time employee handling the reconciliation, which was part of the discussion during Covid. The discussion entailed what should be done with that position when there wasn't a job. He is curious how much this balance is and if that position does not have a lot to do – if the amounts are worth just writing off versus employing a sixty thousand dollar employee.

Mr. Leonard asked to confirm if Councilor Gagnon was looking for non-federal revenues and what the receivables are to which Councilor Gagnon said – sure. He said just the answer to what the School Department gave and the reconciliation between those two. Councilor Gagnon said that their response did not make any sense and it was an auditing issue from his perspective.

Mr. Leonard said that they had already done the audit for 2023 so it was not an issue, but he said he would take a look at what the numbers looked like for 2022.

Councilor Lavoie asked if there were any significant issues to which Mr. Leonard said there were no significant issues and no material weaknesses, only general recommendations.

Mr. Leonard reviewed the recommendations.

Regarding the recommendation on monthly fiscal reporting being reviewed in depth by the Town Manager, Town Council and School Committee, Councilor Gagnon asked Mr. Leonard asked if it would be an issue if the reports were not provided to the committee members timely to which Mr. Leonard said – yes.

Councilor Gagnon asked if the committee should be reviewing the prior month's financials, not in a truncated, three months at a time way to which Mr. Leonard said yes – in a timely manner.

Councilor Gagnon said that the Finance Committee is meeting quarterly and they are reviewing bulk financials. He said that when he came on, he had not received the first financials for six months, which he said was an issue to which Mr. Leonard said it should be done in a timely manner.

Councilor Lavoie said that he believed that was due largely to the software switch to which Town Manager Ephrem Paraschak said – generally speaking, the Finance Committee has met and reviewed the financials on a quarterly basis.

Councilor Lavoie asked to clarify if the delay was due to the switching of financial software to which Mr. Paraschak said – yes.

Mr. Paraschak said that if the committee were to ask to receive financials monthly, they could have them monthly.

Councilor Gagnon referred to the Manager's response that said that purchasing is done by various personnel and departments that make their own decisions with purchasing. He asked who oversees that. He asked if staff had checks and balances in place to which Mr. Leonard said they check to see if there was approval on transactions.

Councilor Gagnon asked Mr. Leonard if they did a review to see if there was approval of said purchases to make sure they were in line with invoices collected to which Mr. Leonard said – yes.

Councilor Gagnon asked if RKO found a few issues to which Mr. Leonard said – yes, not necessarily on the Town's side, rather in the approval of disbursements on the School side.

On page 12, Councilor Gagnon referred to the note that policies and procedures are required for Uniform Guidance, which was noted as being absent on both the School and Town side.

Mr. Leonard said that there was an issue in that the required language was missing from the uniform guidance on both the Town and School side, which relates to receiving federal grants. Specifically, he noted that there weren't written procedures for determining the allowability of costs in accordance with subpart E of the Uniform Guidance standard.

Councilor Gagnon said that if we don't have policies and procedures, it leaves it open for interpretation for what they can do or how they move things to which Mr. Leonard said he thinks this would be in addition to what the Town already has in place. He said the Town has not

made purchases with federal dollars that are not compliant, but there is additional language that should be part of the policy.

Mr. Leonard said there were 11 instances in which sales tax was paid although the Town is a sales tax exempt organization. He recommended that staff have those conversations with employees to encourage making sure purchases are made sales tax-free.

Councilor Gagnon asked how big the transactions were to which Mr. Leonard said he is assuming they were very small. He would estimate hundreds and not thousands to which Councilor Gagnon said that hundreds is quite a bit for employees that make \$40,000 or \$50,000 a year. He said he would like to know where the transactions were and what departments.

Councilor Gagnon asked if we should centralize our purchases to utilize our tax advantage to which Mr. Paraschak said we do to an extent. He said the Town has a Town-wide business account, and the credit card system through J.P. Morgan pays the Town back a little bit of money, so the Town has made efforts over the years whereas it used to be kind of sporadic to that point.

Councilor Lavoie if the Town has a lot of store accounts to which Mr. Paraschak and Ms. LaFlamme said – yes, with Home Depot, Plummer's Ace Hardware, and Hannaford.

Mr. Paraschak said that credit card purchases have to be approved by him or the employee's respective manager, and credit card limits are tailored to an employee's needs. He added that employees that are issued a credit card have to sign off on the use and responsibility of holding a Town credit card.

Regarding School Department cash disbursements, Mr. Leonard reviewed the comment that there were six instances where purchase orders were prepared after the invoice date, and in addition to those six, three were not properly approved. He noted that purchase orders are supposed to show a pre-approval transaction. He said the recommendation is that there is a purchase order prepared before the transaction occurs to make sure the approval is given by the appropriate person.

Councilor Gagnon said that School management's response to that comment did not make sense in the reference to cash disbursements for facilities management capital projects, which notes that when a contract is produced, purchase orders are not generated until after contract is signed and the invoice is received. He asked if they are paying cash for capital projects to which Mr. Leonard said – no. Councilor Gagnon said that he would like clarification on that comment. Mr. Leonard recommended circling back with Hollis Cobb on that item.

A discussion ensued regarding middle school cash disbursements in which Mr. Leonard said they were not charged to the correct activity account. He noted that activity accounts were various student groups at individual schools, such as choir or year book. Mr. Leonard said that RKO noted instances in which they looked at transaction detail and they were not in the right accounts. He said RKO's recommendation was a little more diligence to make sure that those expenses are ending up in the right category.

Councilor Gagnon said the answer provided was perplexing. He asked how other people are accessing the accounts to which Mr. Leonard said that it is all one cash account that is allocated between 25 difference groups. Councilor Gagnon said that it was accounted for by 25 different groups in the past to which Mr. Leonard said that they have not reported it that way in quite a long time.

Councilor Gagnon said it was not for a lack of funds, but they charged to other accounts that were not theirs. He said he wants more clarity on this piece, particularly their response, because it would not be the principal of the school, or necessarily the teachers that are in charge; it would have to be Hollis or one of the administrators doing it. He said he would like additional information on this item as well to which Mr. Leonard said that he can ask Hollis to respond.

Councilor Phillips said that the School and Town Finance Committee used to review these reports together in the past at which Hollis could answer some of the questions about year end, which made it easier.

Mr. Paraschak asked if RKO has started preliminaries for next year to which Mr. Leonard said – yes, they have done the pre-audit on the municipal side, and they had done the pre-audit in the audit on the School side. He said they used to do two weeks, one for the Town and one for the School, and they broke it up last year, so they have already done the School and haven't done anything for the Town.

Mr. Paraschak and Mrs. LaFlamme were asked to leave so the committee could discuss confidential matters pertaining to the report.

3. Other Business

No other business was discussed.

4. Schedule next meeting and discuss agenda items for next meeting

The next meeting of the committee will take place on Thursday, September 7, 2023 at 1pm in Conference Room A.

5. Adjournment

There being no further business, a motion was MADE by Councilor Phillips, SECONDED by Councilor Lavoie, and VOTED to adjourn at 6:30pm. Unanimous vote.

Respectfully,

Jessica Hughes
Executive Assistant