

AUDIT COMMITTEE MEETING
Council Chambers Meeting Room
November 10, 2025, 1:00 pm

Minutes

I. Call to Order: *Chairman Farrell called the meeting to order at 1:00 pm.*

Present: Luke Farrell, *Chairman*
Peter Ashton
Paul Curth
William Donovan
John Wilson

Also Present: Dorota Szubert, *Finance Director*
Stephanie Tillerson, *Town Administrator*
Brad Belt, *Mayor*

II. Approval of Minutes:

A. Minutes of the October 10, 2025, Audit Committee Meeting

Chairman Farrell asked if there were any edits or suggestions for the minutes from their last meeting. No comments were offered.

Mr. Ashton made a motion to approve the minutes from the October 10, 2025, meeting. Mr. Wilson seconded the motion, and it was unanimously approved with all members voting "Aye."

III. Old Business:

None

IV. New Business:

A. Review and Discussion of the Internal Controls Assessment Draft

Ms. Szubert opened the discussion by providing background on the updated draft. She stated that she had received the updated draft and emailed it to the Committee Members a couple of weeks ago. Unfortunately, Ms. Russell was unable to join today's meeting via Zoom, and Ms. Szubert will take notes on the Members' comments and concerns for her. Another meeting will be scheduled with her to review the final draft.

She explained that additional work had been done. At the last meeting, the possibility of adding a payroll function was considered and has been added. The auditors were on-site for a couple of days, approximately three weeks ago, and tested three years of payroll. She noted that many different items were tested, but she has not received the draft yet. She felt they were in the process of finalizing it.

Ms. Szubert noted that the Mayor had approved the additional cost for payroll testing and had also approved preparing an executive summary to be presented to the Council. The draft sent to Committee Members had been redlined to track changes. She mentioned that Ms. Russell from the auditing firm stated, "They will not do a lot more changes to the substance. However, if there is anything else, they will, but she felt like they recap everything in the draft report."

Paul Curth raised an overarching concern about the organization of the recommendations: "I have one overarching sort of comment on this, and I assume that they were the ones that put together the order of their recommendations." He felt they were so scattered, like having credit card recommendations in numbers 1, 12, and 17. He was searching all over the document to see what meshed well.

William Donovan agreed, suggesting the recommendations could be grouped into distinct categories like credit cards, ethics policies, and payments for easier reading. Chairman Farrell also had the same issue, noting he found himself starting to write suggestions, then waiting until the end, only to find that recommendations 15, 12, and 17 were all about credit cards again.

Paul Curth elaborated on his analysis: "I had the same comment, and in fact, I actually went through them then and tried to organize them in my own mind into the nature of the recommendations, and categorized them." There are 27 total recommendations when viewed as a whole, and 14 of those recommendations could be placed in one big bucket he called 'Finance-Related Processes and Procedures Improvement.' He felt that, based on the document, the Town agreed with 10, then there are two, where the Town disagrees, and then there are two, where he was uncertain as to whether the Town agrees or disagrees."

The Committee agreed to have Ms. Szubert ask the auditors to reorganize the recommendations into logical groupings. Paul Curth offered to share his categorization with the group while they waited for copies to be made. Also discussed was the auditors' preparation of an executive summary of their report, which would include the Town's response to each recommendation and changes to the report's language.

John Wilson also expressed particular concern about the finding: "The only thing that really concerned me was the whole business of systems access and passwords and sharing passwords." He noted that, given how much money the Town has in some of its accounts, that struck him as being pretty critical."

Chairman Farrell agreed and suggested conducting a cybersecurity audit next year to assess how the Town's passwords and systems are protected, the level of system redundancy, and regulatory compliance.

Ms. Szubert explained the situation, stating that because the auditors shadowed staff as they usually do, they discovered that one employee had a password written down, which she kept under her keyboard." Ms. Szubert stated that she did not realize what was happening, that it had already been corrected, and that there are no passwords on paper anymore. She also explained that the access process required a dual authorization.

The Committee then proceeded to review each recommendation systematically:

Recommendation 1 - Credit Card Policy

William Donovan expressed his view that this seemed like "a pretty low-level bar to be a finding" and thought it was more of an observation. However, the Committee had previously agreed to keep it as a finding.

Ms. Szubert explained the practical reality: "Because I usually make all the purchases, there was a purchase recently where I had to borrow the Mayor's card." She explained that she went to him and said, "This is what it is going to be for. I'm going to print you an invoice." And he handed me his card. And I mean that, that's the only way to get things done."

Chairman Farrell raised a question about a different procedure: "Do we have a procedure now where employees sign off, they've read and received the employee handbook?"

Ms. Tillerson confirmed they do have such a procedure. The discussion then turned to whether the employee handbook and credit card policies should be reviewed annually or only at hire. Ms. Tillerson explained that any changes to the employee handbook are sent to employees and posted on the employee portal.

Mayor Belt noted this raised "another operational issue that has also come up in the context of a specific recommendation regarding separating accounting policies that Council approves, versus

kind of internal control processes which can be approved without going back to Council." The Committee discussed whether this should be a policy requiring Council approval or a procedure that could be administratively managed. They agreed it should go into a new finance procedures manual rather than the accounting policy manual.

Recommendation 2 - Procurement Procedures

This recommendation addressed maintaining proper documentation for procurement activities. Ms. Szubert discussed a new process being developed to ensure good records for low-volume purchases.

Paul Curth called attention to the statement in the recommendation that " they tested 10 items, and there was one that the Town just couldn't provide us any documentation for." Ms. Szubert stated that, upon reviewing the minutes, the auditors discovered that the Ways and Means Committee had discussed the potential purchase of emergency call boxes but never formally approved it, so no procurement actually took place. The Committee agreed that this should be clarified with the auditors and, if necessary, removed from the findings. Ms. Reynolds added that several documentation items that were requested but not found were not approved.

Paul Curth indicated that in that finding description, there was also a sentence that says, "due to the lack of relevant procurement records, the Town cannot validate that all purchases were conducted in accordance with the Town's procurement ordinance and relevant state purchasing regulations."

Further discussion revealed that four findings centered around procurement solicitation and specification documentation. Ms. Tillerson noted that one finding pertained to a tabulation sheet missing from the file for an RFQ or RFP; "Tabulation sheets are prepared for the Review Committee, but are not regularly returned to Ms. Reynolds, which accounts for the missing tabulation sheet. When the recommendation was made to the Council or Ways and Means, it essentially said that the Review Committee met, these were the top five submissions that they selected, and this was the one being recommended."

Recommendation 3 - Separate Accounting Policies and Finance Procedures

The Committee quickly agreed this made sense - to have two separate governing documents: accounting policies that require Council approval and finance procedures that can be administratively managed.

Recommendation 4 - Review of Financial Work

Ms. Szubert initially disagreed with this recommendation, explaining the current process: When Ms. Fortson handles accounts payable, the payable register must be in a CSV file for submission to Wells Fargo, and after submission, she prints a PDF. Ms. Szubert then reconciles the PDF to the initial register and the total number of checks, and if they agree, she approves it.

After discussion, the Committee clarified that the recommendation was about ensuring independently sourced reports are used for review, not that there wasn't a control in place. Ms. Tillerson asked for clarification on the use of independently sourced reports and records. The explanation was to ensure accuracy; reports should come directly from systems (such as PDFs from InCode) rather than from Excel files that could be manipulated.

Recommendations 5A and 5B - Ethics Policies

Ms. Szubert stated that for the 5A and 5B recommendations, the Town already has a gift policy and an ethics section in the accounting manual and the HR handbook, and asked whether there is a need to add anything further or if this is sufficient.

For Recommendation 5B, which stated that Town staff indicated that several aspects of the town's ethics policies, including portions related to gifts, are not consistently practiced based on interviews, Paul Curth questioned: "Well, how did you verify this statement? What are the more specific details you have? I mean, do we have 10 examples of where something's not followed? I mean, it's a little harsher than hitting you with a recommendation. We're not following ethics policy."

Ms. Szubert explained what might have led to this finding: "In the interview with me, not that I said we don't follow ethics, they asked me, 'So what would you do if you found out something?' I responded that we do have a designated Committee Member who, if anyone knows of any fraud or unethical activity, can be contacted in confidence. "But has anyone done it? No." Ms. Tillerson added that they may also contact HR or the Town Attorney, who will determine whether and to whom the reported potential conflict should be escalated. All agreed that the statement was rather harsh and requested clarification on whether the auditors had relevant examples to address the issue.

The Committee discussed whether elected officials should be included in ethics policy requirements. Mayor Belt explained: "The issue is that the Town itself can't require an elected official to do things it can't sanction. It obviously can dismiss employees and appoint the elected officials, who are subject by state statute to the state ethics code and can be sanctioned by the State Ethics Commission."

Recommendation 6 - Password Management

Ms. Szubert stated that she agreed with the password management recommendation and that the one instance noted by M&J has already been corrected.

John Wilson suggested an annual renewal of all passwords and a master list controlled by the Mayor or the Ways and Means Committee Chair.

The Committee discussed the need for better password management, including considerations for when employees leave. Chairman Farrell asked whether the Town had an exit interview procedure and whether passwords were on that list? Members agreed that passwords should be included on the exit interview list. The discussion revealed challenges with exit interviews, including one employee who "just kind of dropped off his stuff and left" without any exit process.

Recommendation 7 - Cybersecurity Policy

Ms. Szubert reported that Mr. Nardelli, the IT Manager, has contacted the Town's IT provider, IMS, and would work with them to implement a written policy. There is currently training every three to six months, but no formalized policy.

Chairman Farrell expanded the discussion: "As part of cybersecurity, I'll ask you to have him think about disaster recovery if the building gets hit. Can everybody work from home?"

Ms. Tillerson noted that while everyone can work from home (as proven during COVID), there are security concerns: "The one thing that I will say, like some businesses that allow working from home, the computers taken home may not be as secure in terms of people using their own personal internet."

Recommendation 8 - ACH Payments

The Committee discussed transitioning vendors to ACH payments. Ms. Szubert explained the challenges: "So the challenge is that we need emails for everyone, and we don't collect them as we receive check requests or payment requests." One way was to include a note with the 1099s requesting that they return their email addresses, noting that Wells Fargo would handle all

the Mayor. The Mayor then has to sign off, so he sees all the transactions before they go forth for payment.

Chairman Farrell expressed comfort with this process: "So I feel pretty secure with that policy. And you're responsible. Versus, I don't know how ghost cards would work."

Committee Members disagreed with 13a, 13b, 13C, and 14.

Recommendation 15 - Verification of Goods and Services

This addressed the issue of ensuring goods and services are received before payment. Chairman Farrell noted that the Town Council had also discussed verifying completion before payment for projects and consultants. Ms. Szubert indicated that currently, department heads confirm completion when payment requests are submitted.

The Committee agreed to add standard language to check requests confirming that work has been completed satisfactorily and in accordance with contract terms.

Recommendations 16-17 - W-9 Forms and Grant Documentation

The Committee agreed these were valid recommendations. Ms. Tillerson suggested collecting W-9s during business license renewal, noting it would be easier to capture the information if there were a requirement for vendors to upload their W-9s when they apply for their business license. Those that do not require a business license would be handled separately.

Recommendation 18 - Long-term Debt Policy

Peter Ashton raised a concern about the report, stating the Town has no controls for debt issuance when the Town rarely issues debt: "I think something in that appendix that says should be added that says, you know, we haven't issued debt, and when we do, we will have controls in place."

The Committee Members discussed that the Town last issued debt around 2014 for the building construction and paid it off early.

Recommendation 19 - Charitable Grant Monitoring

The Committee agreed with recommendations to require disclosure of relationships and to monitor the use of funds by new grant recipients.

Throughout the discussion, Committee Members made various editorial suggestions and discussed implementation timelines. The Committee agreed to meet again on December 8, 2025, at 1:00 PM, with the first hour for internal discussion and the second hour including Ms. Russell from the auditing firm via Zoom.

The discussion also touched on Committee terms, with Ms. Szubert suggesting two-year terms rather than one-year terms for Audit Committee members to provide greater continuity. Paul Curth suggested staggering terms by adding new members to avoid complete turnover at once.

V. Chairman's Comments:

Chairman Farrell thanked all Committee members for their service and indicated he had a hard stop at 3:00 PM. He expressed appreciation for the Committee's thorough review of the recommendations and their willingness to continue serving.

The meeting concluded with Committee members discussing the upcoming meeting schedule and confirming December 8, 2025, as their next meeting date.

VI. Adjournment:

verification, banking, and information verification. With smaller vendors not requiring 1099s, she felt the Town would never reach a point where everyone was on ACH.

Chairman Farrell advocated for a stronger approach: "I do think we ought to require them, and we might give them a date. But the other thing is, if they need to get paid, that is motivation for them to get on ACH." Chairman Farrell suggested setting a date, such as June of 2026, as a requirement, with the understanding that there would still be stragglers to work with

Ms. Szubert raised practical concerns, including vendors from Canada and small vendors who might be difficult to convert. She indicated that she really did not agree with that recommendation. She reviewed the current check handling process: every check is logged in a book, the person who receives the checks signs for it, then when it goes to Ms. Dubois for deposit, she also signs for it.

Recommendation 9 - Vendor Profile Management

This recommendation to create and update vendor profiles, requiring staff to verify all submitted information through a trusted, independent communication channel, initially confused the committee. The question was asked, "If you get an email from John Smith saying that his account numbers have changed, would his information be sent to Wells Fargo to be verified? Ms. Szubert stated that the process is being implemented and that collecting email addresses is to ensure no banking information is collected.

The Committee agreed to request specific recommendations from the auditors on verification procedures.

William Donovan shared a cautionary tale from another board: people were swindled after a vendor called in and said, "We're changing our payment information." It happened that they sent him a payment for \$32,000, and two weeks later, they found out it was fraud."

Recommendation 10 - Check Request Documentation

Ms. Szubert explained that situations where backup documentation wasn't provided were mostly recurring charges. "There is no backup, because it's the same charge every month, but the documentation is available. For example, Adobe, YouTube, or Zoom."

Ms. Szubert also noted that the Arts Council currently submits check requests without backup, but the contracts could be attached as a backup. Another example is bird banding interns who are paid a monthly set amount during their four-month season without documentation attached to each payment.

The Committee discussed whether recurring charges should be exempt from documentation requirements, but agreed that contracts should be attached at least initially.

Recommendations 11-14 - Additional Credit Card Issues

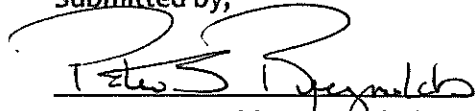
These recommendations covered various aspects of credit card management. The Committee discussed creating a formalized credit card and training policy program, and agreed that one was not needed. Finalizing a new credit card platform that will pass credit card fees on to customers and provide an option to take credit card payments online. Both were deemed operational efficiency and process improvement initiatives, and Mayor Belt suggested removing them.

There was an extensive discussion about whether to use "ghost cards" (cards not assigned to specific individuals) versus Ms. Tillerson's current practice of allowing others to use her card when needed.

Ms. Tillerson explained the current process: When someone asks to borrow my card, the intended use is clarified, and they must provide a receipt in a blue folder. Those receipts are coded and attached to the statement. Once the reconciliation is done, the statement and backups are given to

Chairman Farrell adjourned the meeting at 3:04 pm.

Submitted by,


Petra S. Reynolds, Town Clerk

12-9-2025
Date