



Committee on Finance and the Northampton City Council

Finance Committee Members

Councilor Rachel Maiore, Chair

Councilor Marianne LaBarge, Vice Chair

Councilor Stanley W. Moulton, III

Councilor Jim Nash

Virtual Meeting

Meeting Date: August 2, 2023

Time: 6 p.m.

1. **Meeting Called To Order:** At 6 p.m. Chair Rachel Maiore called the meeting to order.
2. **Roll Call:** Present were Councilor Rachel Maiore, Chair; Councilor Marianne L. LaBarge, Vice Chair, Councilor Stanley W. Moulton, III and Councilor Jim Nash. Also present were Finance Director Charlene Nardi, Tom Scanlon, Jr. of Scanlon & Associates and Administrative Assistant Laura Krutzler.

Councilor Maiore announced that the meeting was being audio/video recorded.

3. **Approval Of Minutes of January 3, 2023**
Councilor LaBarge moved to approve the minutes of January 3, 2023. Councilor Moulton seconded. The motion passed unanimously 4:0 by roll call vote.

4. **Public Comment**

None

5. **Review and Consider Recommendation on Scanlon Proposal For Auditing Services (FY2024 - FY2026 Audits)**

Tom Scanlon gave an overview of his proposal. The three basic reasons for an audit are 1) the single audit (a law requiring an annual audit of non-federal government entities if they spend over \$750,000 in federal funds), 2) issuing bonds in the bond market, and 3) general sound practice.

This is a financial audit and not a forensic audit, he clarified.

Accounting companies audit financial statements to assess risk, he explained. With COVID, a lot more federal programs and funds are out there, increasing complexity and adding to Free Cash reporting requirements to the Department of Revenue (DOR). The fee fluctuates because a certain percentage of expenditures for single audits need to be tested for compliance with laws and regulations and also jumped up a little because of new GASB's coming out this year. Traditionally, the city has had between three and four major programs. With the American Rescue Plan Act (ARPA), he thinks they will stay at four for the next couple of years and possibly jump up to five.

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Although the formal on-site analysis only lasts two weeks, auditors are always there for questions, he confirmed. They encourage financial officers to communicate with them throughout the year so they can address any questions or concerns that arise.

In terms of testing, Councilor Nash asked what it is that inspires them to test certain things.

The city's financial statements drive the audit, Mr. Scanlon explained. Auditors look at the balance sheet and at revenue and expenses and always put an emphasis on the controls present in the collector/treasurer's office. "Your cash is your #1 asset," and accounts receivable (personal property and real estate taxes) are the number one revenue source.

Auditors spend a lot of time in the treasurer and collector's offices making sure staff are balancing cash on a timely basis and that revenues are going to the correct place. They do a lot of analytical work comparing budget vs. actual revenue/expenditures and do an analysis of special revenue accounts. They will look to see if there are deficits because, obviously, deficits are bad but high surpluses are bad, too. Chapter 90 is a reimbursable-type grant so they expect that to be in deficit. However, if ESSER funds are building up, that would be unusual so they would look at that.

They do a dive into a lot of analytics. On the collectors' side they use a lot of ratios to see if cash deposits are being made as expected. If they go to the collector's office and see that the outstanding detail list doesn't match the general ledger they go down to a deeper level until they are able to identify the discrepancy and eliminate the variance. If variances recur they would notify city officials in the Management Letter.

The audit is risk-based, he advised. Auditors make sure the budget is set up correctly in the general ledger and accurately reflected in financial statements by reviewing City Council votes. In reviewing financial reports, they check variance columns to look for big negatives and big positives. If departments are carrying over expenditures or encumbrances they will look at those to make sure they are not blanket encumbrances. A lot of additional review is driven by the analytics.

Lead auditors start in the treasurer/collector's office and DPW and will visit secondary departments as issues come to their attention. They allocate one department every three-year period for a more in-depth review.

Councilor LaBarge mentioned that the city worked very closely with Mr. Scanlon's father for many years. His father suggested more training for staff in the collector's office at one point which she found to be very valuable and to make a significant difference,

Director Nardi said her experience working with Scanlon & Associates over the last two years has been excellent. Mr. Scanlon and his staff are always available and she has spoken to Tom three times in the past week. With longtime procurement officer Joe Cook leaving and Will Coffey taking over, she has asked them to do some training to make sure they continue to do things properly. She is also interested in working with Scanlon and his staff on tracking fixed assets.

A key reason she has advocated strongly for keeping Scanlon & Associates' contract for another three years is the company's familiarity with the city's books, Director Nardi shared. Mr. Scanlon mentioned that they're used to seeing certain things. The city will have a new procurement officer, new auditor and new school business administrator and she herself is relatively new. She feels like they need to have continuity

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in the auditing process due to the change in personnel. She doesn't look at an audit as a bad thing; she looks at it as a partnership.

The administrative assistant screen-shared a spreadsheet with a comparison of the costs for auditing services paid in comparable communities (Amherst, Agawam, Greenfield, Chicopee and West Springfield).

Following additional discussion, **Councilor LaBarge moved to positively recommend awarding the contract for auditing services for FY24 to FY26 to Scanlon & Associates. Councilor Moulton seconded.**

As reasons for his support, Councilor Moulton cited the city's positive past experience with Scanlon and Director Nardi's high recommendation. He also stressed the importance of continuity with a number of new staff. **The motion passed unanimously 4:0 by roll call vote.**

6. **ITEMS REFERRED TO COMMITTEE**

A. **New Business**

-Reserved for topics that the Chair did not reasonably anticipate would be discussed.

None.

7. **Adjourn:** There being no further business, **Councilor LaBarge moved to adjourn. Councilor Moulton seconded. The motion carried on a roll call vote of 4 Yes, 0 No. The meeting was adjourned at 6:35p.m.**

Contact: Rachel Maiore @rmaiore@northamptonma.gov or (413) 923-4318