

**NORTH KINGSTOWN AUDIT COMMITTEE**  
**November 24, 2009**  
**BEECHWOOD HOUSE SENIOR CENTER**  
**7:00 pm**

**PRESENT WERE:**        **Chairman Wadovick**  
                              **Richard August**  
                              **Matt Leonard**

**ALSO PRESENT:**     **Patricia Sunderland**

A tape recording of this meeting was made to supplement the written record.

**I.        Call to Order**

- Chairman Wadovick called the meeting to order – 7:07
- Noted that the meeting is not being video streamed although a recording is available.

**II.       Notice of Meeting being posted**

- Pursuant to RIGL 42-46-6, Notice of this meeting has been posted on the Secretary of State's Website.

**III.      Approval of minutes – August 4, 2009**

- Approval of the minutes has been deferred until Committee member, Cardente, arrives. The item was later moved to defer until the next meeting as there was no quorum to accept the minutes of the August 4, 2009 meeting, Matt Leonard had not yet joined the committee and could not vote on the approval of the minutes.

**IV.      Discuss school department procurement policies provided to the audit committee at the October 15, 2009 meeting.**

- Chairman Wadovick noted that the policies requested of the school department from the October 15, 2009 meeting did not include the student activity funds which was what was requested, they were clearly procurement policies not internal control policies for the student activity accounts. Upon recognition, Chairman Wadovick contacted the Superintendent for the appropriate documents. Upon review, Chairman Wadovick noted that there are areas that can be strengthened and improved, not to rewrite but add some value and asking for guidance from the audit committee.
- Richard August suggested the committee go through the policy, make any recommendations and provide a final marked up copy of which could be forwarded to the school committee policy sub-committee. Chairman Wadovick questioned whether the committee appoint a policy sub-committee or have a work session to handle the requests to work with the school committee policy sub-committee. Mr. August thought it appropriate that the liaison could bring the revisions back to the audit committee for discussion and recommendation.
- Matthew Leonard recommended that the school committee policy sub-committee develop and submit to the audit committee a complete, final draft and provide them with the guidance that they are asking for from the audit committee. Mr. Leonard would also like to see the implementation plan on how they plan to convey them to the people who need them, as well as train them and follow up after a year and make changes that may be necessary. Mr. Leonard would like to see a signed acknowledgment that the procedures had been made available, have been reviewed and that they are aware that the policies exist.
- Chairman Wadovick felt that the audit committee in the past had not been instrumental in the policies and procedures that have been brought forth except for the Whistleblower policy and would like to change the way their recommendations are conveyed to the school committee and town council. He supported the notion of developing a 2 person policy sub-committee of the audit committee to work with both governing bodies.

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**MOTION** made by Richard August, seconded by Matthew Leonard that a 2 member sub-committee of the audit committee be appointed for purpose of reviewing requests from the school committee to come up with recommendations and suggestions related to policies and/or procedures that the policy subcommittee has reduced to final draft form. At which time the 2 member sub-committee would then review their recommendations with the entire audit committee at the next meeting and if a consensus was reached to the suggestions of the sub-committee then they would be communicated by the Chairman of the audit committee to the school committee. Vote: unanimous.

Comments entertained by Jim McGwin:

- Mr. McGwin commented and agrees with everything that has been discussed thus far, however, explained that there is a high school handbook which the students sign. Mr. McGwin explained that not all policies are in the policy handbook as stipulated by RIGL 16-2 and the student activity accounts are not part of the policy manual. Having something where having some acknowledgment by employees would be helpful. A recommendation that a subcommittee is established and general guidelines for recommendations and that there is a sign off that they are aware that a policy exists and that there are changes to the policy. In addition, Mr. McGwin recommends that all policies are in one place, on the web along with the other. Mr. McGwin, thirdly, recommended that the policy sub-committee meet periodically so that a member of the sub-committee of the audit committee could attend. Finally, a fourth recommendation to the audit committee by Mr. McGwin was one that the audit committee meet annually with the School Superintendent and the Town Manager to review any findings as outlined in the yearly audit as well as any special audits conducted on the Town & School's business. Ensure that all recommendations are followed up on.

Matthew Leonard recommends that a full body be present in order to appoint a policy sub-committee of the audit committee.

Mr. August referred back to the purchasing procedures of the School Committee, last page, final paragraph which states, "Due to the "long-lead time" that is often encountered in obtaining goods or services, it may be necessary to purchase some goods prior to the beginning of the fiscal year in which they are used. Thus, the issuance of purchase orders for such long-lead time goods or services must be advertised in accordance with local, state and federal law. It is Mr. August's opinion that this opens a window that the school department can designate anything as a long lead item then they can use that timeframe to absorb funds in which a surplus is projected and its an open window and extremely vague. Chairman Wadovick acknowledged the vagueness and thought that the policy should correspond to the ordinance already in place.

**MOTION** made by Richard August, seconded by Matt Leonard that Chairman Wadovick notify Kim Page, as Chairman of the policy sub-committee of the school department, that a 2 member sub-committee of the audit committee will be established to work with them and be available to them. Vote: unanimous.

**V. Discuss/Review school department's student activity policies and procedures**

- This specific document was received via email after a follow-up request for information to Superintendent Thornton. However, Mr. August made it clear that this document is conveyed as being a "guideline" and not necessarily a "policy" noting the revision date of 7/24/2006, however, there has been no notation that the "guideline" was ever actually adopted by the school department.
- Chairman Wadovick will specifically ask the question as to what they are looking for from the audit committee.
- Matt Leonard recommends that the school department look at the student activity funds and question what funds should or should not be flowing through the central office. Mr. Leonard is more concerned that the problem is more of lack of controls not necessarily the policies/procedures or lack thereof. He felt that if the student activity funds would have more oversight if they were controlled by the central business office.

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- Mr. August felt that previous discussion with the Superintendent and School Committee Chairman led him to believe that the transferring of oversight of the student activity accounts to the central business office was not conducive to the business operation of the school department. It was clearly understood that the Principals were in control of these accounts.

Public Comment by Jim McGwin:

Mr. McGwin noted that the Student Activity Account Guidelines that the audit committee referred to has never been adopted by the school committee.

**MOTION** made by Richard August, seconded by Matt Leonard that the Chairman communicate to Ms. Page about the action of the audit committee and inquire as to whether the School Activity Account Guidelines as submitted are the policies and procedures of the student activity accounts or just a draft document of the guidelines that they are requesting comments on? Vote: unanimous.

**VI. Discuss/Review letter from town's auditor, Braver P.C., as they relate to Statement of Auditing Standards #114**

- A copy of the letter that was received from Braver was submitted to the committee members. Statement of Auditing Standards #114 provide guidance on communications that should take place between the auditors and those charged with governance of an auditee...those charged being the Audit Committee.

Chairman Wadovick noted this is standard communication which highlights high risk areas that the auditors will be focusing their fieldwork on. He further explained that they will be performing testing to determine reliance and substantiation for internal control procedures.

Page 3 of the letter asks the members to respond to the auditor's questions as outlined in the letter, which were answered as follows:

1. Does anyone on the Town's Audit Committee have any unresolved questions about the audit, or the audit process? Record shows NO concerns by any of the present committee members.
2. Does anyone on the Town's Audit Committee know any transactions or transaction cycles which they consider to be high risk or conditions which exist that they believe expose the Town to fraud? Record shows NO concerns by any of the present committee members.
3. Is anyone aware of fraud that exists within the Town? Record shows NO concerns by any of the present committee members.
4. Are there any concerns with management's integrity? Record shows NO concerns by any of the present committee members.

**MOTION** made by Matthew Leonard, seconded by Richard August to communicate to the auditors regarding their responses to the questions of the letter. Vote: unanimous.

**VII. Correspondence**

- Chairman Wadovick communicated to the members that he was in receipt of a whistleblower complaint which was in the screening process.
- Chairman Wadovick explained that 3 documents:
  1. Two were discussed at the screening committee level which were settled at that level and not passed on to the Town.
  2. The third document was correspondence that was sent to the Superintendent based on a motion at the last meeting which was a request for a response to a Whistleblower Complaint received by the Audit Committee.

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Public Comment was entertained from Jim McGwin.

Mr. McGwin explained that he sent some correspondence to the Finance Director and is requesting a meeting with the Chairman and the Solicitor. Mr. McGwin felt the main objective was missed regarding a document which was requested, intercepted and destroyed twice. The document had been requested by a school committee member was submitted to the clerk twice. Mr. McGwin feels that in dealing with an organization there are 3 issues: health of the people, misappropriation of funds and the destruction of documents. The issue is the school committee was never provided with the document that was requested which was provided to the clerk. The appropriate policy which is backed up by RI State Law, Secretary of State and School Committee policy was never followed. The information obtained by Mr. McGwin stipulates that the document submitted to the school committee clerk who is also the secretary for the Superintendent makes the claim that the Superintendent destroyed the document, twice, of which he can provide an email to substantiate the claim.

Chairman Wadovick explained that he had reviewed all correspondence as well as all correspondence from the Solicitor and will have to defer to the Solicitor. Will follow up and get back to Mr. McGwin.

**VIII Adjourn**

**MOTION** made by Richard August, seconded by Matthew Leonard to adjourn at 7:56 pm. Vote: unanimous.