

Minutes of the WLS Finance Audit Committee Meeting
3/29/2023 @ 2:00pm - in person, except where noted

Location: Westchester Library System, 570 Taxter Rd, Suite 400, Elmsford, NY

In attendance, from WLS:

- Rob Caluori (CFO)
- Francine Feuerman (consultant)

From the Finance Audit Committee:

- Wes Iwanski (Chair) - District 7
- Edris Scherer (Treasurer) - District 4
- Diane Tabakman - District 11

WLS Trustee:

- Maureen LeBlanc - District 8

Auditors, from Dorfman Abrams Music, attending via video:

- Edward Baltazar (Partner)
- Narci Laboy (lead auditor)

The presentation started promptly at 2:00pm, and it was presented by Mr. Edward Baltazar, Partner at Dorfman Abrams Music.

The review started with the Financial Statements report. Mr. Baltazar went over each section of the report in detail, covering Balance Sheets, Statements of Activities, Statements of Cash Flows, Statements of Functional Expenses, and Notes to Financial Statements.

Nothing really stands out. The report changed from last year, has a cleaner format. Generally everything is in line with what was expected.

One adjustment was made. Typically, if less than 5 adjustments, it means management did a good job (according to Mr. Baltazar).

Pretty typical transactions, nothing unusual.

Property and equipment - noted new additions such as new vehicles, trade ins such as old vehicle, etc

The one thing that stands out this year is in how rents/leases will now be recorded, due to the new accounting regulation under ASC 842.

Deferred rent goes away, the new guideline will say lease will count as an asset on the balance sheet, and either depreciate or amortize over time. The impact will be to the presentation and not to the bottom line. Going forward, rent payments will not show up on the income statements.

Changes in GAAP are driving this change - to conform to international standard.

The change in net assets is primarily due to change in retirement benefits.

The auditors look at functional expenses allocation, how things are coded internally, do analytics to ensure that year over year numbers are consistent. There are no significant accounting changes found.

The availability and liquidity - goal is to have ability to cover 90 days of expenses, we are well above that threshold.

Copier leases are considered immaterial, and it is recommended to move it to equipment rent expense rather than lease expense - to simplify financial statements.

Basically, major leases go on the balance sheet, minor leases are expensed.

Next, Mr. Baltazar presented the Governance Report.

Entries related to the new lease accounting were adjusted.

No fraud or irregularities were noted.

One adjustment was made in the process.

It was really a smooth process, went well.

Questions for the auditors following the presentation:

Q: If someone was committing fraud, would the audit catch it?

A: Audit verifies processes with checks and balances are in place, in our case fraud would be unlikely - every expense transaction involves 3 people with different roles.

Q: Is anything else the board can do, besides audit, to ensure everything is in order?

A: A trustee can request to see records periodically for a review, if desired. We can also hire consulting services to scrutinize specific area of finance, but that is very expensive, and can cost as much as audit itself.

Auditors' next steps:

Push forward on the lease accounting, share the software, show how it works, how to use it, etc

Following the presentation, the WLS staff left the room for the audit committee to freely communicate with the auditors.

Once the auditors disconnected for the video call, Mr. Iwanski motioned to approve the draft audit to be amended. Ms. Scherer seconded it. The Finance Audit Committee voted unanimously in favor.

A question arose about using the same audit firm year after year, and whether it would make sense to change the firm every now and then. There are pros and cons to each option. It is more efficient/less expensive to use a firm that is familiar with the organization, but it can also be beneficial to have a fresh set of eyes performing the audit. Keep in mind, the audit firm we've been using for years does rotate their staff. Also, the audit firm is also being audited for their practices.

Ms. LeBlanc volunteered to reach out to Jerry Nichols, and authority on all things library, and ask him whether it would make sense to keep using the same auditors or to change them periodically.

The meeting concluded around 3:20pm.

Minutes submitted by Wes Iwanski.