



Board of Supervisors Meeting Minutes

In Person Meeting Via 801 Burrows Run Road

March 1, 2023

7:00 p.m.

Present: Geoffrey Gamble, Esq., Chairman; Dr. Richard L. Leff, Vice Chair; Scudder G. Stevens, Supervisor; Eden R. Ratliff, Township Manager; Amy Heinrich, Finance & HR Director; Diane Hicks, Planning & Zoning Director; Ted Otteni, Director of Public Works

Absent: Matt Gordon, Chief of Police; Dave Sander, Solicitor

1. Call to Order

2. Pledge of Allegiance

3. Embezzlement Recovery Update

There were no updates to provide.

4. Executive Session Announcements

There were no Executive Sessions to announce.

5. Meeting Minutes

a. January 18, 2023

www.kennett.pa.us/DocumentCenter/View/6253

b. February 1, 2023

www.kennett.pa.us/DocumentCenter/View/6254

c. February 15, 2023

www.kennett.pa.us/DocumentCenter/View/6255

Motion to adopt the January 18, 2023, February 1, 2023, and February 15, 2023, Board of Supervisor meeting minutes was made by Stevens and seconded by Leff. Motion passed 3-0.

Leff: I believe Kassie made the change that I noted the other day.

Zinzel: Yes- I did.

*Gamble: Kassie, I have one change on February 1st meeting minutes, item 6e. please have it read "the code is not cast in stone and there **can be** modifications moving forward."*

6. Public Comment on Agenda

No comments.

7. Business Items

a. Consider March 1, 2023, Bill Voucher

www.kennett.pa.us/DocumentCenter/View/6259

Motion to approve the March 1, 2023, Bill Voucher in the amount of \$100,149.64 and to approve total transfers in the amount of \$6,510.26 was made by Stevens and seconded by Leff. Motion passed 3-0.

8. Audit Presentation

www.kennett.pa.us/DocumentCenter/View/6261

[\(DCED Report\)](#)

[\(SAS 115\)](#)

[\(SAS 114\)](#)

Ratliff: Tonight, we will have a two-part presentation on the 2021 audit. First up will be from Christopher Herr our auditor from Maillie and then Amy Heinrich will give the management response.

Christopher Herr (Maillie): Looking forward to talking about the 2021 financial statements. I like to start off by talking about the process and then I'll review the 3 page summary. We started the Audit in late November early December. We come in with a list of everything that we would like to see for the audit. On the revenue side On the expense side we look at a lot of different samplings of individual transactions. For this year we looked at \$5.3 million dollars of your expenses for the year. We look at payroll, registers, W2's and run various analyses to make sure payroll looks reasonable. We looked at an excess of 80% of your expenses and for an audit that is a lot. We are not a forensic audit where we look at 100%. That is a high percentage. We issued three letters the first is the DCED Report which is our opinion. The second is a SAS 114 which is a standard letter to the Board talking about what it is we were engaged to do, our process and the results. And lastly is the SAS 115 which is our management letter, if we notice any issues that were found or items that need to be fine-tuned. Starting with the Auditors report-The highest opinion is unmodified opinion and right below that is a qualified opinion which is everything is great except for (1) thing. Within the DCED Report there is a column for Capital Assets that is left blank. You do not have a comprehensive tracking of all the township's assets. Because we leave that one column blank we have to qualify the report. The SAS 114 letter is a standard letter, the verbiage is not ours. There is a new section talks about significant risks identified. It is horrible wording and very misleading. These would be the risks before we even start the audit, by auditing standards we have to think about what could go wrong. It doesn't mean it is going wrong, but it could. Big concern for all audits is management potentially overriding controls? Is revenue being properly recognized? And finally escrow. ([Maillie Executive Summary](#)).

Gamble: Capital Assets. It's going to cost the taxpayers money to bring out an assessor. Is it necessary? What do we gain by having them assessed.

Herr (Maillie): Good question. Right now, on a DCED basis not too big of a deal. You would go from a 20-page financial statement to 60-80 pages. That is when you will start recording receivables, payables you will have a fund basis and you will have your government wide financials. You will incorporate long term debt, long term assets. Your balance sheet will look askew.

Leff: Was there random sampling? Since you looked at 80%?

Herr (Maillie): Absolutely. We are not just looking at the big invoices. We take a risk-based approach.

Leff: You mentioned it was rather high. Do you see it changing over time?

Herr (Maillie): I do. When I first started doing this audit in 2019, with everything that was going on, I was using the absolutely highest thresholds. I kept them high this year as well, because any time you go to a new accounting system, I get concerned, based on the fact that is everything working in the new system is everything being implemented properly etc. We really like Sage system.

Ratliff: Just so the public is aware. Kennett Township rolled out a new accounting system in 2021 called Sage Intacct, that is what Chris is referring to when he says system.

Herr (Maillie): I do see us backing off a little bit now, keeping the samplings to the standard, but the risk is going down.

Stevens: I was going to ask you the significant risks identified earlier in the one letter. I was going to be the guy that called you the next day. Thank you for satisfying my anxieties with your responses.

Gamble: Before Amy Heinrich comes up to discuss the management overview, I would like to ask our two elected auditors to stand up and identify yourselves.

Cathy Burkett (818 Williams Lane): Elected Auditor for 2 years

Jeanne McManus: This is my second year.

Gamble: Who is your auditor in training?

McManus: Adelynn McManus

Heinrich: Everything is all on our website- both what Chris and I are speaking about ([Kennett Presentation](#)). I will be going through this rather quickly since Chris gave the overview. Over the last few years, we have been working towards Controls & Transparencies. We have gone from eight material weaknesses in 2019 to two in 2020 and now one for 2021. We are happy to report the progress. Where we were and what's left to do (pg. 6 of presentation) this deals with the finances but also in general as well. We have built up the HR & Finance infrastructure because we did not have that before. Worked on processes and procedures and we are continuing to do that. Any questions?

Leff: I just want to point out to the audience, if you go back to the slide where all the things that were done (pg. 3 of presentation) it doesn't look like much. If you look at 2020 and the bottom of sewer bill. It is just one small bullet point but there is a lot that goes on behind it. It's not just the numbers it's also the people. Even with the best systems it's the people that you still have to train and be aware of. Just like people hear about spear phishing or IT issues on the outside you still want to have the people trained on the inside on what to look out for in finances.

Stevens: Can you explain what that is?

Leff: I'll send you an email stating its urgent that you need to transfer \$15,000.00 to a bank account where it will mimic an employee of high rank asking for someone to do something urgent when it is not really them.

Ratliff: To conclude the presentation. This has been a heavy lift. It's not right to boil everything down into one PowerPoint presentation with the amount of work that has been done since September 2019, including people not in this room. The journey is not over, it's nice to take a moment to pause and reflect on the progress we have made and how much confidence the community can have. Amy's team deserves a lot of credit and a lot of praise for how far they have come.

Richard Gaw (Chester County Press): The question is for Chris, can you talk in terms of improvements, transparency, and an overall assessment of how far the Township has come in that short amount of time.

Herr (Maillie): 2019 was a rough audit. And when you look at cash balance and expenses. We couldn't find stuff. It was that fundamental some of the things that we were running into. Journal entries that were nonsensical. The cash and segregation of duties, things were siloed with one person being way too involved in the process and not having the people in place to split the load. There were interfund balances that did not agree. Fund balance from one year to another. When we came in, we tried to figure out what the processes were. There was a lot of improvement from 2019 to 2020. It was like night and day. 2021 is more fine tuning. Sage was a big change in 2021. It has been a very long process, but great improvements were made.

Chris Burkett (818 Williams Lane): You used the acronym ARPA. I am wondering what the plans for those funds are.

Heinrich: The funds came in two waves. One in June 2021 and the final in June 2022. There is roughly \$860,000.00 that is set aside in a separate fund- it has all the federal and state restrictions on it. The intent is to use them for sewer improvements/infrastructure improvements/grants for sewer. There is not a specific project identified yet. This is not the absolute final.

9. Public Comment

Chris Burkett (818 Williams Lane): Can you provide a status update on the Chandler Mill Trail. Where does the Township stand with the cost, design fees, permits, easements and engineer estimate costs?

Ratliff: The final design has been completed, we have applied for the permits, we are in the permitting process with DEP which we are hoping to receive in May and bid it out shortly after. We are hopeful to

start construction in the summer. We have a number of deeds of dedication and easements in hand. There are (3) that are still outstanding, I believe (2) will move rather quickly into a resolution and the other has an acceptable back up plan. Overall the cost for construction will be \$5.5 million which we have reviewed in the budget process last year. The design has already been applied, the \$5.5 million is just the construction cost.

Leff: At some of the public meetings last year we acquired some of the easements/properties. Do you remember how many?

Zinzel: There are 9 properties.

Heinrich: There is a slide that I sent to Cathy during the budget process that has the totals for the project.

Gamble: I do have one other comment. One of our biggest expenditures are Fire & EMS. I have discussed with Chief AJ McCarthy of Longwood Fire Company to come to a public meeting or a few to acquaint the public on some of these costs and why we need them. We want to get a discussion going so we do not end up where we were last year with increases, and everyone is outraged. Some there may be creative ways to minimize them to some extent while others are not. This is on the horizon.

10. Adjournment

Motion to adjourn was made by Leff and seconded by Stevens. Motion passed 3-0.

The meeting adjourned at 7:50 p.m.

Respectfully submitted,
Eden R. Ratliff
Township Secretary