



Town of Chester

Independent Audit Policy

Last Updated: 4/21/2026

Approved: 4/21/2026

PURPOSE

To ensure the reliability, accuracy, and completeness of year-end financial statements and obtain independent verification that proper internal controls are in place to protect public assets, this policy sets guidelines for the Town's engagement with an external audit firm.

APPLICABILITY

This policy applies to the Board of Selectmen in its overall responsibility for safeguarding the Town's fiscal health. It further applies to members of the Financial Management Team and any other Town employees whose activities may be audited.

POLICY

The Town commits to having its financial statements audited no less frequently than annually by a certified public accounting firm ("the auditor"), and for the fiscal year ending after a change in a financial office (accountant, treasurer, or collector). This is at the discretion of the Select Board and whether they deem it necessary each year. These audited statements shall encompass all Town financial activities, including all major funds, enterprise fund¹ (Chester Water Department², Chester Municipal Electric Light³), and aggregated remaining funds. Further, every audit contract will include a requirement to review financial management practices and report on any identified deficiencies in a management letter.

A. Auditor Selection

To ensure the opportunity for periodic new perspectives on financial practices, the Town will solicit competitive bids from audit firms at intervals no greater than every six years. In compliance with statute and the Town's Purchasing policy, the contract will be awarded to the lowest qualified bidder with a good municipal auditing reputation (i.e., "responsive and responsible" vendor). If the Town selects its incumbent auditor, the firm must agree to rotate audit managers.

¹ The Chester Municipal Light Department is classified as an enterprise fund for the Town's financial statements.

² The Water Department is an enterprise fund in the town.

³ The electric light plant operates under M.G.L. c. 164 and is regulated by the Mass Department of Public Utilities. There is no audit requirement for the operation's financial reports under the enabling statute. However, without such an audit, the Town's full financial position cannot be fairly presented according to generally accepted accounting principles. This results in the Town's independent auditor being unable to express an opinion on the Town's financial statements as a whole.

B. Audit Engagement

The Town Administrator will coordinate the auditor's access to any requested accounting records, written procedures, or other documents. Every department head, official, or employee must respond to any such request timely and make themselves available to answer any auditor questions.

Under the vendor contract, the auditor will be required to provide the Town Administrator with preliminary findings and present final audit and management letter results at a joint meeting of the Board of Selectmen and Finance Committee.

C. Corrective Action Plan

Whenever the auditor identifies a procedural weakness or deficiency, the auditor will describe it in a management letter citation. Upon receiving a preliminary management letter, the Town Administrator will work with financial officers to compose a written response to each citation, explaining the Town's corrective action plan (CAP) for the identified issue(s). This will typically require the Town Administrator and other applicable Financial Team members to identify the citation's root cause(s) and then determine what controls must be implemented to correct them, consulting further with the auditor when necessary.

The Town Administrator will separately provide the Board of Selectmen with a CAP report that explains the plans in more detail, including the responsible parties and anticipated time frames for implementing the controls. Additionally, the status of CAPs will be an agenda item at each monthly Financial Management Team meeting until the Town Administrator is satisfied and the new controls are working properly. The Board of Selectmen will hold the Town Administrator and applicable financial officers accountable for any citations that repeat in a subsequent year.

D. Time frames and Reporting

Through adherence with the Reconciliations and Year-end Closing policies, it is the Town's goal to ensure the auditor can complete the audit and management letter by March of the year following the fiscal year-end closing. The Town Administrator will provide copies of the final versions of both reports to the Division of Local Services within two weeks of receipt.

REFERENCES

MA Office of the Inspector General guidance: *A Local Official's Guide to Procuring and Administering Audit Services*

DLS Best Practice: *Annual External Audits*

GFOA Guidance: *Audit Procurement*

Print Name:

Signature:

Position:

Date: