



MINUTES AUDIT COMMITTEE

Thursday, June 16, 2022 – 10:00 AM
Zoom Video/Teleconference Call

Dulles State Office Building, 4th Floor, Conference Room
Watertown, New York

Committee Members Present:

Mary Doheny, Chairperson
James Hollenbeck
Dennis Mastascusa
Brian McGrath

Staff Present:

Carl Farone, Executive Director
Jennifer Staples, Chief Financial Officer
Dawn Caccavo, Comptroller
Regina Rybka-Lagattuta, Director of Human Resources
Angela Marra, Executive Assistant

Committee Members Absent:

Guests:

Gregg Evans, Bonadio Group

Other Board Members Present:

Margaret Murray, Board Chairperson

1. The meeting was called to order by C. Farone at 10:05 am.
2. A roll call was completed, and a quorum of the committee was established.
3. C. Farone introduced Gregg Evans, a partner from the Bonadio Group, and turned the meeting over to J. Staples and G. Evans. J. Staples offered an overview of the audit process, explaining that the Bonadio Group started the preliminary audit in January. Following our year-end in March, the Authority finance team put together the work papers and passed them along to the auditors. A full audit was completed in May, with the draft report being provided to the Authority in June and presented to the Audit Committee today.
4. G. Evans presented a brief overview of the audit results, followed by time to discuss questions or concerns the committee may have concerning the presented financial statements.

G. Evans reviewed the summary by stating that pending acceptance by the committee; these financial statements will have an unmodified or clean opinion. This is the highest level of assurance the auditors can provide. There were no material weaknesses identified within internal controls, and the books and records were found to be maintained in a clear and orderly fashion.

Under Required Communications, G. Evans reported there were no new accounting policies adopted this year and the significant estimates were considered reasonable and conservative. The audit team encountered no difficulties during the performance of the

audit, and the Authority staff was said to be helpful and responsive. There were no corrected or uncorrected misstatements in connection with the current year audits; meaning the information being presented to the Board throughout the year matches what appears in the presented financial statements and would be considered an A+.

G. Evans stated that next year the audit team would be helping the Authority implement GASB 87, which is a complicated standard related to leases.

Key financial highlights are variances the auditors felt were important. G. Evans reiterated that these are the Authority's financial statements the committee is here to accept today, and that the auditor's task is to provide the auditor's report that has been discussed. The audit team sets expectations for where things are going to go as part of their analytical review. In looking back over the last two years, it is expected that for the year ending March 31, 2022 there would be more activity. Materials Management revenues have increased 9.1% due to the increased tonnage, Water Quality operations revenue has increased \$992,000 as projects have been added and flows have increase, and grants from government sources have increased 7.3% due mainly to the Army Water Line integrity grant. Depreciation and amortization increased significantly as \$28 million was moved from construction-in-progress to capitalized assets that were placed into service. C. Farone commented that this was primarily due to the completion of the southern expansion project.

G. Evans continued with discussing how pension expense decreased last year, and it is now expected to increase based on market conditions. Wastewater treatment expense increased as a result of the number of gallons being treated. Closure and post closure costs increased by 10% as expected with tonnage intake increasing. Investments held will not be cashed in prior to reaching maturity, resulting in no realized losses.

C. Farone commented that when looking at the financial statements, the investment income is showing a negative value. This is due to a market adjustment and would only be realized as a negative amount if the Authority were to sell these investments. This is currently only an accounting entry that the Authority is required to make. The Authority does not anticipate selling these investments before reaching maturity.

G. Evans continued with explaining the new GASB 87 standard. This standard was changed from previous categories of operating leases and capital leases, to now encompassing all leases. This change makes this process more complicated. The result will show right to use assets and will not affect the Authority's cash flows.

C. Farone offered the example of the Authority lease with the state office building, being a five-year lease that will now need to be recorded as an asset. G. Evans agreed and stated it would also include some present value calculations.

G. Evans stated that Yellow Book is the report in accordance with government and auditing standards where the review is done of the internal controls over financial reporting. As previously stated, there were no findings related to internal controls. The design of these controls was to ensure they are in place and operating as designed with no issues. He continued with the Uniform Guidance report; which includes the single audit, the audit of the major federal program in relation to the Army Water Line analysis. There were no

findings or questioned costs resulting in everything being in compliance with federal guidelines.

Lastly, G. Evans discussed two other reports the audit team issued. The first being Agreed Upon Procedures related to the regional water line. It was found that the regional water line procedures were as agreed with no findings noted. The second was a review of the Authority's compliance with its investment policy as well as State Comptroller's Investment Guidelines for Public Authorities. No issues with compliance were found.

M. Doheny asked if any committee members had any questions, at which time no questions were asked.

M. Doheny stated that it was reported repeatedly that there were no challenges and no issues with anything. G. Evans concurred with this statement. He also stated that this is a fast turnaround from year-end to presenting the audit, especially with the volume of activity the Authority has and is a credit to the Authority management team.

5. Upon a motion by J. Hollenbeck, and seconded by D. Mastascusa at 10:20 AM, the Committee moved into Executive Session to discuss the audit.

Upon a motion by J. Hollenbeck, and seconded by D. Mastascusa at 10:23 AM, the Committee moved to come out of Executive Session.

Chairperson Doheny stated that no action was taken during Executive Session.

6. Resolution No. 2022-06-XX accepts the Audited Financial Statements, Single Audit, Agreed Upon Procedures and Report on Investments as of and for the year ending March 31, 2022.

Upon a motion by M. Doheny, and seconded by J. Hollenbeck, Resolution No. 2022-06-XX, Approving Audited Financial Statements, Single Audit, Agreed Upon Procedures, and Report on Investments for Fiscal Year Ending March 31, 2022, was unanimously approved and recommended to the full Board for approval.

7. FYE 2022 Internal Audit Results and FYE 2023 Proposed Audit Work Plan

J. Staples stated that the meeting will continue with the discussion of the Audit Work Plan, reviewing both the FY22 audit findings from the internal audits and the proposed FY23 Audit Work Plan. She stated as a reminder, this audit work plan is owned by the Audit Committee and these internal audits are being proposed for the committee's review and for them to decide if they want to remove or add any audits, or change their frequency. J. Staples introduced R. Lagattuta, the Authority HR Director and Compliance Officer, to review the results of the FYE22 audit.

R. Lagattuta reported the following:

- 14 audits were conducted throughout the fiscal year at different frequencies; either weekly, monthly, quarterly, biannually, or annually. There were absolutely no significant findings.

- The following recommendations are being made by G. Evans for the proposed work plan for FY 2023:
 - repairs and maintenance audit.
 - health insurance contribution audit
 The health insurance contribution audit is already being done, but a formal process will be put in place.
 The repairs and maintenance audit will be a newly created process.
- The procurement audit, as done in the 2022 fiscal year, will continue to be done, however going forward will be done within the procurement coordinator's position.

J. Staples stated that these recommendations made by G. Evans were not as a result of deficiencies being found within the audit, but recommended based on other audits he has worked on and felt they would be beneficial to the Authority.

R. Lagattuta shared G. Evans explanation of the repair and maintenance audit as the risk of time when items are purchased, but not necessarily needed at that time and subsequently stolen. G. Evans stated this may not be risky in terms of high dollars, but could be risky in terms of actual items purchased.

M. Doheny asked for an example of what they might be looking for. G. Evans stated small tools or items that are easily converted to cash and quickly disappear.

M. Doheny asked if the telecom tax we are currently paying is going to change with the legislation. C. Farone replied that the tax noted here is referring to actual taxes that we charge our customers that we then pass through. C. Farone stated that the state tax M. Doheny was referring to has been eliminated.

Upon a motion by M. Doheny, and seconded by J. Hollenbeck, the Internal Audit Work Plan was unanimously approved for FY23.

8. Resolution No. 2022-06-XX approves the Assessment of the Effectiveness of Internal Controls of the Development Authority of the North Country, for the fiscal year 2022.

J. Staples reviewed the Assessment of the Effectiveness of Internal Controls – FY 2022, as attached to the resolution.

M. Doheny asked if the Authority has petty cash, or is everything done electronically. C. Farone responded that we used to. J. Staples stated that we have tightened down the process and explained that new vendors go through a vetting process where their information is provided to us. Our procurement coordinator then independently validates the information so that we do not inadvertently send a check or transfer to a wrong bank. If they ask for a change to their banking information, that is again third party verified because of the amount of fraud taking place. G. Evans commented that these fraudulent change requests have been happening with payroll too. J. Staples explained that there are also payroll internal controls for when an employee requests a change to their direct deposit

information; they have to go into an internal system requiring them to have access to our network and that specific system.

Upon a motion by M. Doheny, and seconded by J. Hollenbeck, Resolution No. 2022-06-XX, Approving the Assessment of the Effectiveness of Internal Controls of the Development Authority of the North Country for Fiscal Year 2022, was unanimously approved and recommended to the full Board for approval.

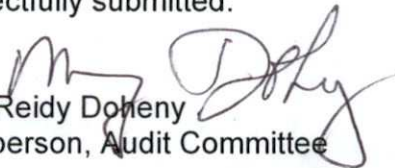
9. Resolution No. 2022-06-XX approves the Annual Bond Sales Report for Fiscal Year Ending March 31, 2022. This is an annual report that includes the results of any Bond Sales during the year, to include Underwriter's Compensation, Net Interest Cost, and the Method of Sale.

J. Staples reviewed the Annual Bond Sale Report as attached to the resolution.

Upon a motion by B. McGrath, and seconded by M. Doheny, Resolution No. 2022-06-XX, Approving Annual Bond Sales Report for Fiscal Year Ending March 31, 2022, was unanimously approved and recommended to the full Board for approval.

Upon a motion by B. McGrath, and seconded by J. Hollenbeck, the Audit Committee meeting was adjourned at 10:37 AM.

Respectfully submitted:


Mary Reidy Doheny
Chairperson, Audit Committee