



MINUTES AUDIT COMMITTEE

Thursday, March 23, 2023 – 9:30 AM
Dulles State Office Building
Conference Room 100, 1st Floor
Watertown, New York

Committee Members Present:

Mary Doheny, Chairperson
Dennis Mastascusa
Brian McGrath

Staff Present:

Carl Farone, Executive Director
Jennifer Staples, Chief Financial Officer
Dawn Caccavo, Comptroller
Stephen Bohmer, Director of Information Technology
Angela Marra, Executive Assistant

Committee Members Absent:

James Hollenbeck

Guests:

Gregg Evans, Bonadio Group

Other Board Members Present:

Margaret Murray, Board Vice Chairperson

1. The meeting was called to order by Chairperson Doheny at 9:32 am.
2. J. Staples introduced Gregg Evans from the Bonadio Group as the engagement partner for the external audit. This meeting is an opportunity for the Audit committee to review the audit plan from the Bonadio Group and discuss anything they feel needs to be added or changed with the audit partner.

G. Evans began his presentation by reviewing what Bonadio has been engaged to do. They will be giving an opinion of the Authority's financial statements through their independent auditors' report and will perform a single audit of the Authority's federal expenditures. The audits will be performed in accordance with government auditing standards, which will also require them to review internal controls over financial reporting. They will also perform an agreed upon procedure report related to the regional water line with specific procedures related to expenditures, billing and testing. The last report they will issue is related to compliance of Authority investments to ensure they follow New York State guidelines for public authorities.

G. Evans reviewed the Bonadio client service team, stating that everyone is returning so we will have the same engagement team as last year and that he expects everything to go smoothly.

G. Evans reviewed the timeline, noting that the state deadline is June 30. Bonadio will ensure the Authority makes that deadline by scheduling their fieldwork appropriately from now through the month of May with a goal of reporting back to the Audit committee by mid-June. This will allow time for the Board of Directors to review the reports prior to submission.

G. Evans reviewed the audit responsibilities of the auditor, management and the Board of Directors. The key auditor responsibility is to give an opinion on the Authority's financial statements. To do this they will plan and perform the audit to obtain reasonable, not absolute, assurance. They will also review the internal controls over financial reporting and compliance with federal regulations to ensure those controls are effective and operating as designed. If any deficiencies or material weaknesses are found, they will communicate those to the Audit Committee. The responsibilities of the management team are establishing and maintaining internal controls and making sure that all financial records and related information are available to the audit team. This is a key element in keeping the very quick turnaround on schedule. Management is also responsible for the preparation of financial statements in conformity with GAAP, and the audit team will be assisting in the preparation of those statements. The Board of Directors responsibility is to select the audit team through the RFP process. They are required to oversee the financial reporting process, including the annual risk assessment and ensuring that management responds to any risk discovered by the Audit Committee, and to promote appropriate and ethical standards.

In a quick review of the audit approach, G. Evans focused on risk assessment by stating that all of their audits are required to be risk based. Their risk assessment will entail the review of Board minutes, preliminary numbers, new agreements, and then generating an assessment to be the basis of this audit program. This risk assessment changes on an annual basis and is re-done if additional concerns arise through the process.

G. Evans continued by discussing GASB 87. Previously items were classified as operating leases and capital leases, but now leases are defined as financing arrangements that give the government the right to use the leased asset. This applies to every material lease longer than 12 months. While complicated, G. Evans feels that Bonadio has done very well in putting together a team that has been dedicated to this lease implementation. They will work with J. Staples and D. Caccavo to analyze all Authority leases and make sure the calculations and footnotes are correct.

G. Evans reviewed upcoming guidance from the Government Accounting Standards Board (GASB) for next year with GASB 96, which will require software agreements longer than 12 months to be re-analyzed, recorded at the present value, and added to the balance sheet as an intangible asset. Most software agreements are on an annual basis so this should not have much of an effect on the Authority.

At this time G. Evans asked if there were any additional expectations or concerns from the Audit Committee that they can address during the audit.

C. Farone stated that historically the audit timeline and preliminary testing were completed in January. While we understand the audit firm is short staffed, will there be any impact on the actual audit being completed in June based on the presented timeline?

G. Evans responded that the audit firm is keeping the schedule manageable and they believe they have a good enough understanding of what is happening at the Authority that by May they should have an audit plan responsive enough to meet the deadline. While he would have liked to have the time in January, he does not believe this will have much of an impact. Additionally G. Evans stated that the GASB 87 team is working right now, and that would be the biggest impact. C. Farone stated that from an Authority perspective whatever is needed we will have available in a timely manner to ensure the audit is done prior to the June 30 deadline.

M. Doheny asked when J. Staples would receive the draft report. J. Staples replied that this is expected by the end of May, roughly one week before the committee meets.

M. Doheny stated that in looking at the calendar that seems like we need to move this back a week to be ready for the June 22 Board Meeting. J. Staples responded that the Audit Committee is usually a week ahead of that so it is actually two weeks prior to the Board Meeting when we usually have everything wrapped up. She further added that as long as we stay on the presented schedule, we should be able to meet these deadlines and get everything approved for the Board meeting. We will then be able to do everything that we need to by the end of June in order to be compliant.

C. Farone commented that this is a tight schedule to allow for management discussion analysis and any work that needs to be done. He further stated that it has been discussed internally to possibly moving the Audit committee to the same week as the Board meeting depending on how much time we need.

B. McGrath asked if that would make the Audit Committee meeting between the 15th and 21st. C. Farone said yes, it is typically one week before. J. Staples added that this is typically a tight schedule and potentially being behind creates concern.

B. McGrath asked if meeting June 30 was a hard deadline. C. Farone responded that it is a state requirement and while we could request an extension, the Authority has never had to make that request. B. McGrath stated that this could be an option in the event of something going wrong. C. Farone agreed that is a possibility.

M. Doheny asked about an extension due to bond indenture. C. Farone responded that because we have bonds that are outstanding, we have reporting requirements and the bond indenture needs to be reported in September.

Upon a motion by D. Mastascusa, and a second by B. McGrath, the Audit Committee Meeting was adjourned at 9:51 AM.

Respectfully submitted,


Mary Doheny
Chairperson, Audit Committee

Attachment: Bonadio Handout