



MINUTES AUDIT COMMITTEE

Thursday, June 14, 2023 – 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:

Other Board Members Present:

Margaret Murray, Board Chairperson

Guests:

Gregg Evans, Bonadio Group

*Attended via videoconferencing

1. The meeting was called to order by M. Doheny at 10:01 am.
2. A roll call was completed, and a quorum of the committee was established.
3. M. Doheny turned the meeting over to J. Staples who explained the purpose of the meeting was to review the audit, review the internal work plan with the results from fiscal year 2023 and the proposed plan for fiscal year ending 2024, to discuss internal control assessments, and review the bond sales. She continued with an overview of the audit process, explaining that the process begins after our finance department had closed out the fiscal year. They then assembled information by May 8 for the auditors to assist them in quickly processing the audit. The Bonadio Group then has approximately one month to review all of the financials and provide documentation for Authority review. The draft report was provided to the committee on Friday, June 9, and the full audit is being presented to the Audit Committee at this meeting. J. Staples mentioned that Bonadio had some issues with staffing, but did a good job overall getting the information to us given the constraints. J. Staples introduced G. Evans, a partner at the Bonadio Group, who presented the audit findings and discussed new items to be reviewed in next year's audit.
4. G. Evans presented an overview of the audit results, followed by time to discuss questions or concerns the committee may have concerning the presented financial statements.

He reviewed the summary and stated that pending acceptance by the committee and the full Board; these financial statements will be issued with a clean opinion. This is the highest level of assurance the auditors can provide. He further stated that the books and records had been maintained in a clear and orderly fashion.

Regarding other communications, G. Evans stated that the Bonadio Group did assist the Authority with the implementation of GASB 87 in regards to leases. The change went smoothly and resulted in the addition of an asset and a liability in the amount of \$284,000, more as a disclosure statement than a change in numbers. G. Evans stated that there were no difficulties while performing the audit, and there were no corrected or uncorrected misstatements reported. However, within the SAS-114 letter there was an entry for roughly \$99,000 relating to OPEB liability. This error will result in a reduced OPEB liability, reduced expenses, and is more of a clerical error.

B. McGrath asked for clarification of the acronym being used. G. Evans responded that it is OPEB, post-employee benefit liability or retiree coverage.

M. Doheny asked what it meant to pass on, and which way does it go. G. Evans stated that we are not making entries. J. Staples replied that we are going to adjust for it next year. G. Evans further stated that this is a long-term liability, not a current liability, which makes it less important.

G. Evans continued by stating under other considerations for management there were no findings relative to internal controls that are in place, and all internal controls are operating as designed. There are no audit adjustments, other than the one uncorrected, and they did not find anything that would require them to make an adjustment or change their opinion.

G. Evans followed up on several items that will be coming up next year. There will be two more GASB disclosure type statements, similar to the leases this year. The first is related to software agreements longer than 12 months. These would need to be recorded as an asset and a liability. Most software agreements work on an annual basis so this should not change much. The second is GASB 94, which relates to public-private and public-public partnerships and is again related to the disclosure and use of assets. This is also disclosure related and will not increase the financial statements. These are both more in the interest of transparency.

Following discussions with management for his review of the financial statements, G. Evans felt there were a few things to point out. Operating revenues were up by 5%, and operating expenses were up 10% which is consistent with expectations but results in an operating loss of \$2.8 million versus the \$1.2 million in the prior year. The change in net position only decreased from a loss of \$2.8 million to a loss of \$3 million dollars, which is related to interest income. The smaller change in loss in net position was caused by increased interest rates in FY23 and a reduction in losses on fair market investment values that was larger in FY22.

G. Evans reviewed the Yellow Book report, stating that there had not been any internal control findings related to the financial statements that would be in the Yellow Book Report.

They also reviewed noncompliance relative to laws and regulations, and there were no findings there as well. Bonadio is also required to review Authority expenditures of federal awards. The Home Investments Partnerships Program was the major program reviewed for internal controls and compliance, and resulted in an A-plus rating with no findings or questions.

G. Evans discussed the last two reports the audit team issued. The first being the agreed upon procedures related to the Regional Water Line, with no findings to report. The second was the Authority compliance with Public Authorities Law related to investments, also reporting no issues.

B. McGrath asked in relation to the audit team staffing issue and if it reduced the number of hours that were put into the audit, or was the audit as rigorous as it would have been under different staffing levels or a different timeframe. G. Evans responded that while the work was consolidated into one month, much of the work floated up to the manager and partner levels.

M. Doheny continued by asking if all of the work was done and met all standards, but was done in a consolidated period of time. G. Evans replied yes, that more work had been done on a senior level and resulted in more overtime, but the report was completed on time to be presented to the full Board. M. Doheny stated that we would be able to meet all targets and reporting obligations.

M. Doheny asked, because of what has been in the news regarding financial institutions, if there a statement was issued to clarify that we do not have exposure? She further commented that she had noticed the FDIC insurance, but asked what our views were regarding potential exposure. J. Staples responded that we are over 100% collateralized. G. Evans stated that many Authority investments are in CDs and T-bills, which have limited risk to them. B. McGrath stated that the FDIC may have recently exceeded their cap, but if they did not, Authority accounts are spread out to fall under the current caps. J. Staples stated that is correct regarding our investments and anything that is not insured is collateralized.

5. Upon a motion by B. McGrath, and seconded by J. Hollenbeck at 10:19 AM, the Committee moved into Executive Session to discuss the audit.

Upon a motion by J. Hollenbeck, and seconded by M. Murray 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. 2023-06-XX accepts the Audited Financial Statements, Single Audit, Agreed Upon Procedures and Report on Investments as of and for the year ending March 31, 2023.

Upon a motion by J. Hollenbeck, and seconded by M. Murray, Resolution No. 2023-06-XX, Approving Audited Financial Statements, Single Audit, Agreed Upon Procedures, and Report on Investments for Fiscal Year Ending March 31, 2023, was unanimously approved and recommended to the full Board for approval.

G. Evans left the meeting at 10:26 AM.

7. FYE 2023 Internal Audit Work Plan – Human Resources Work Plan

J. Staples continued the meeting with discussion of the internal audit results for FYE 23 and a review of the proposed FYE 24 internal audit plan. She reminded the committee that the internal audit work plan is being proposed to the committee, but the finalized internal audit work plan for FYE 24 is directed from the Audit Committee to the management team. R. Lagattuta reviewed the FYE 23 internal audit results with the committee, as well as the FYE 24 work plan.

R. Lagattuta reported the following:

- Operational audits were conducted either weekly, monthly, quarterly, biannually, or annually. There were no significant findings within these audits.
- Two audits were added to the FYE 23 work plan to be done once per year, and it is recommended that we keep them on schedule for the upcoming fiscal year:
 - repairs and maintenance audit.
 - health insurance contribution audit

J. Staples stated that there are no changes from fiscal year 2023 to 2024, and there were two new audits that are being proposed to continue in FYE24.

C. Farone stated that these audits are very good checks and balance for the fiscal year. This audit helps to catch issues and correct them before it is too late.

J. Hollenbeck stated this is very thorough, and it is better to stay on top of these things.

Upon a motion by J. Hollenbeck, and seconded by M. Doheny, the Internal Audit Work Plan was unanimously approved for FY24.

8. Resolution No. 2023-06-XX approves the Assessment of the Effectiveness of Internal Controls of the Development Authority of the North Country, for the fiscal year 2023.

J. Staples reviewed the Assessment of the Effectiveness of Internal Controls – FY 2023, as attached to the resolution. She further explained the purpose of these internal controls is to reduce fraud and to produce financial statements that are accurate. The internal controls are driven by the Authority's accounting manual, which documents the procedures, policies, and principals that govern our accounting practice. The accounting manual is the foundation for internal controls to reflect accurate financial statements.

J. Staples discussed several examples of these controls, including the expense reports process. M. Doheny asked approximately, how long it takes the reimbursement to happen. J. Staples responded they are usually completed within one week.

J. Staples further stated that another check and balance procedure that is in place is the monthly reconciliation of Authority bank accounts. The accounts are reviewed by the accountant one position, and then reviewed and approved by the comptroller. Accounting functions are divided among employees very carefully, which acts as another check for

work. Internal controls are monitored by the CFO, J. Staples, and are then audited by compliance using the above approved work plans. Compliance then reports directly to the Executive Director regarding any findings. The external audit is then performed annually to check the internal controls for any deficiencies.

Upon a motion by M. Doheny, and seconded by J. Hollenbeck, Resolution No. 2023-06-XX, Approving the Assessment of the Effectiveness of Internal Controls of the Development Authority of the North Country for Fiscal Year 2023, was unanimously approved and recommended to the full Board for approval.

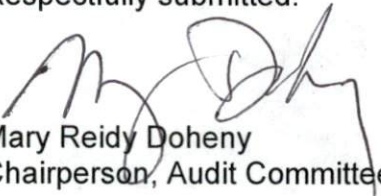
9. Resolution No. 2023-06-XX approves the Annual Bond Sales Report for Fiscal Year Ending March 31, 2023. This is an annual report that includes the results of any Bond Sales during the year, to include Underwriter's Compensation, Net Interest Cost, and the Method of Sale.

J. Staples reviewed the Annual Bond Sale Report as attached to the resolution. There was no new bond debt issued in FYE 23, and there are two bonds outstanding associated with materials management.

Upon a motion by J. Hollenbeck, and seconded by M. Doheny, Resolution No. 2023-06-XX, Approving Annual Bond Sales Report for Fiscal Year Ending March 31, 2023, was unanimously approved and recommended to the full Board for approval.

Upon a motion by B. McGrath, and seconded by M. Murray, the Audit Committee meeting was adjourned at 10:36 AM.

Respectfully submitted:



Mary Reidy Doheny
Chairperson, Audit Committee

Attachment: Bonadio Handout