

MINUTES AUDIT COMMITTEE

Thursday, March 27, 2025 – 12:30 PM
Warneck Pump Station
James W. Wright Conference Room
23557 NYS Rt 37, Watertown, New York

Committee Members Present:

Mary Doheny, Chairperson
Nancy Henry
Dennis Mastascusa
Brian McGrath*

Committee Members Absent:

Other Board Members Present:

Margaret Murray*

*Attended via videoconferencing

Staff Present:

Carl Farone, Executive Director
Jennifer Staples, Chief Financial Officer
Steve Bohmer, Director of Information Technology
Angela Marra, Executive Assistant
Tonya Watson, Administrative Associate

Guests:

Thomas Smith, EFPR
Jason Cukierski, EFPR

1. The meeting was called to order by M. Doheny at 12:32 PM.
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 introduced Thomas Smith, a partner from EFPR, and Jason Cukierski, also from EFPR, to present the FY25 Audit Plan to the Audit Committee. J. Staples reminded the members of the Audit Committee that T. Smith is here to present his Audit Plan for FY25, and this meeting is for the committee members to discuss this plan and make any additions, changes or deletions.

T. Smith continued with the presentation, and explained that J. Cukierski doesn't work specifically on our audit, but is going to help with today's presentation.

T. Smith reviewed the agenda for this meeting, to include a review of the engagement team, the timeline, financial reports to be issued, and the audit scope objectives and procedures. He introduced himself and Doug Zimmerman as the partners overseeing the 2025 audit, who will be accessible throughout the entire audit and explained there will be more people on the engagement team, including third party service providers to fulfill the MWBE and SDVOB requirements as requested within the Authority contract. He continued with a review of the timeline, and explained that they expect to hit every deadline, beginning in April and May with their confirmation process to ensure they have as much information to help the audit run smoothly. They plan to spend an entire week in-house in May. May 6 is when the trial balance is expected to be turned over to EFPR from the Authority's finance department, followed by June 6 when the Management Discussion and Analysis (MD&A) is planned to be turned over to the Authority for review. He explained that the MD&A would be a preliminary rough draft for management to review, validate, and make any changes they feel necessary. Two meetings are tentatively scheduled on June 20 with the Audit Committee and June 26 with the full Board, but can be changed based upon the needs of the Authority.

T. Smith continued by explaining what the audit will focus on, to include the financial statements; an independent auditors' report on internal controls over financial reporting and on compliance; an independent auditors' report on compliance for each major federal program and report on internal controls over compliance as required by Uniform Guidance; a single audit of federal award compliance; an investment compliance audit in accordance with New York State Public Authorities Law, Section 2935(3)(f); and an agreed upon procedures for the Regional Waterline capital and operating reserve fund analysis.

J. Cukierski continued with an overview of the audit scope and objectives, to include Management Discussion and Analysis, changes in OPEB liability, the Authority's proportionate share of net pension asset/liability, pension contributions and internal control over financial reporting and compliance. Additionally, a single audit will be done to review the Authority's compliance with federal awards.

He continued with a review of the audit procedures where they will look at the internal controls to obtain an understanding of the Authority and its environment, which will begin with identifying and assessing the risk of material misstatements. T. Smith further clarified that they review the internal controls at the beginning in case they come across any weaknesses or deficiencies to ensure their substantive testing is done to ensure those controls are operating effectively. J. Cukierski continued by stating EFPR will test the Authority's compliance with provisions of applicable laws, regulations, contracts, and agreements to ensure the Authority is in compliance. At the end, EFPR will express an opinion on the Authority's compliance within the requirements applicable to each of the major programs and the audit will be issued pursuant to Uniform Guidance. Other services the audit team will be performing in accordance with applicable professional standards includes assisting in preparation of financial statements, the schedule of expenditures of federal awards and related notes of the Authority, and completing the appropriate sections of the Data Collection Form that summarizes their audit findings regarding the single audit for the submission to the federal government.

The auditors' responsibilities for the audit and financial statements and single audit include conducting the audit in accordance with the generally accepted auditing standards and the Government Auditing Standards. They will plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free of material misstatements due to errors, fraudulent financial reporting, misappropriated assets, violations of law or regulations that are attributed to the Authority or to acts by management or employees acting on behalf of the Authority. Significant risks of material misstatement have already been identified as part of the audit planning process, which are the management override of controls and improper revenue recognition. T. Smith explained that within every client there is always a risk or two happening, but they look to see if there is anything specific to the Authority, and based upon last years' audit, they don't think there is anything additional to be included.

T. Smith concluded with covering the AUP (Agreed Upon Procedure) report being in compliance with the AICPA (American Institute of Certified Public Accountants) and all professional requirements. He further explained that the Regional Waterline AUP doesn't provide an actual opinion that's as high level as an audit or examination, but is a test engagement to detect fraud or noncompliance. As part of the engagement letter, they have been reviewing a list of procedures received from management, as was similarly done last year. This is a seven-step process where they look at different expenses, such as debt service, to ensure it is in accordance with professional standards and laws, and that the schedule ties out to the actual financial statements.

At this point T. Smith opened the meeting up to the committee to see if there were any questions, concerns or anything they wanted reviewed with more detail this year.

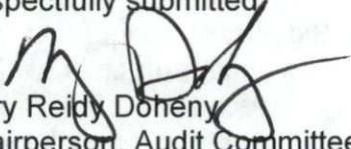
M. Doheny asked if everything done with reporting and the audit is required for our bonds. C. Farone replied yes, this meets the requirement for our bonds and he noted the Authority is required, as a public authority, to have an audit as well as a single audit.

A. MacKinnon commented that in 40 years of his career, when reviewing audits, he always turns to the back page first to review the list of discoveries. Since he has been involved with the Authority there is nothing on the back page year after year. This tells him that the people managing the Authority are doing a very good job. Through other audits he has seen different items that have been discovered, nothing terrible, but items that would need to be brought to the attention of the people who are in charge, but he hasn't seen that at the Authority so the auditors shouldn't feel bad if they find something this year. T. Smith stated he won't feel bad if they find something and further explained that the last page of the financials is attached to show the findings that they have no discretion over. If they come across something it will be included there. There can also be a management letter with recommendations for best practices, and he only puts this together if he feels it is going to help the client. A. MacKinnon stated that there is typically no list because the Authority staff are doing their job right.

M. Doheny commented that last year she pressed quite a bit about the timeline, and not only did EFPR meet it but exceeded expectations on every deadline, meaning they were early and did a great job, thank you.

4. Upon a motion by A. MacKinnon, and seconded by D. Mastascusa, the Audit Committee meeting was adjourned at 12:49 PM.

Respectfully submitted;

A handwritten signature in black ink, appearing to read 'M. Reidy Doherty', written over the typed name.

Mary Reidy Doherty
Chairperson, Audit Committee