

AUDIT COMMITTEE

DATE: April 30, 2019

LOCATION: 4060 Sunrise Highway, Oakdale

ATTENDANCE: Edward Lee, KPMG Audit Partner
Stephen Suozzi, KPMG, Manager, Audit
Patrick G. Halpin, Chairman
Mario Mattera, Board Member
Elizabeth Mercado, Board Member
Jeffrey W. Szabo, CEO
Timothy Hopkins, Esq.
Alicia Simson, Internal Audit Manager
Elizabeth Vassallo, Director of Finance
Chris Cecchetto, Deputy Chief Financial Officer
Stephanie Hannan, Manager of Accounting
Maria Trupia, Executive Assistant/Secretary to the Board

The meeting was called to order by Mr. Halpin at 2:00 p.m. upon all Members of the Committee being present.

On motion made by Mr. Mattera, duly seconded by Mr. Halpin, and carried with one abstention by Ms. Mercado, it was

RESOLVED, To accept the Minutes of the August 28, 2018 Audit Committee Meeting.

Mr. Szabo introduced Edward Lee, Audit Partner and Stephen Suozzi, Manager, Audit of KPMG. He also introduced Ms. Mercado to Messrs. Lee and Suozzi.

Mr. Lee gave a brief summary of KPMG's work with the Authority, so that Ms. Mercado would have a better understanding of the Audit process.

Mr. Lee distributed the 2019 Audit Plan to the members and stated that there will be one significant accounting pronouncement that will be adopted this year, but other than that, there has been no change to the deliverables or auditing standards that must be followed.

Mr. Lee asked Mr. Suozzi to review with the members the scope and deliverables of the audit plan. Mr. Suozzi explained the scope of their audit will consist of an audit of the Authority's financial statements in accordance with U.S. GAAS and GAGAS. He stated

that consistent with last year, the five key deliverables include the audit report on the financial statements; the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with Government Auditing Standards; a Report on Compliance with the Requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York; the Auditor's report on Federal awards in accordance with the Uniform Guidance (Single Audit); and required communications to those charged with governance.

Mr. Suozzi stated that the timing is also consistent with last year with an interim audit at mid-May and the final audit will be from July through August. A presentation will be made before the Audit Committee with the results in August. This year, KPMG has a goal of completing a single audit with the timing for completion being in August as well. Mr. Lee stated that a single audit is a Federal compliance audit where internal controls will be reviewed for compliance with any Federal awards the Authority is receiving.

Mr. Suozzi further reviewed significant audit areas such as cash and investments, revenue and accounts receivable, payroll and related expenditures, other than personal service costs and regulatory assets and liabilities. He also reviewed significant estimates such as valuation of accounts receivable and recognition of water service revenue, valuation of investments, pension valuation (NYSLRS Plan) and OPEB's valuation. Mr. Lee discussed the adoption of GASB 75 and its impact on the Authority.

Mr. Suozzi then reviewed the involvement of internal audit which includes fixed asset testwork, water service bill recalculation testwork and inventory pricing testwork.

Other Audit procedures discussed were review of journal entries throughout the year as well as closing and post-closing entries, review financial statement disclosures for appropriateness and completeness, perform test work on the Authority's entity level controls, review minutes of board and other committees and send legal letter to in-house counsel and to external attorneys to determine litigation exposure and assess financial statement impact, if any. Something else they have done every year is having an IT Senior Manager review IT policies, procedures and cyber security.

Mr. Lee then discussed the audit fees and stated that the remainder of the presentation is basically a required communication for planning. He reviewed accounting pronouncement which included GASB 89 (Accounting for Interest Cost Incurred before the End of a Construction Period) and GASB 90 (Majority Equity Interests).

Mr. Lee reviewed items outlined in the Audit Plan entitled "On the 2019 board agenda" and the Report on the Firm's System of Quality Control.

On motion made by Mr. Mattera, duly seconded by Ms. Mercado, and unanimously carried, the meeting of the Audit Committee was adjourned at 2:33 p.m.

Respectfully submitted:
Maria Trupia, Executive Assistant/Secretary to the Board
Reviewed by:
Alicia Simson, Internal Audit Manager