

AUDIT COMMITTEE

DATE: April 24, 2018

LOCATION: 4060 Sunrise Highway, Oakdale

ATTENDANCE: Edward Lee, KPMG Audit Partner
John Pontecorvo, KPMG, Manager, Audit
James F. Gaughran, Chairman
Patrick Halpin, Board Member
Jeffrey W. Szabo, CEO
Timothy Hopkins, Esq.
Alicia Simson, Internal Audit Manager
Elizabeth Vassallo, Director of Finance
Donna Malone, Accounting Manager
Maria Trupia, Executive Assistant/Secretary to the Board

The meeting was called to order by Mr. Gaughran at 4:10 p.m. upon all Members of the Committee being present with the exception of Mario Mattera.

On motion made by Mr. Halpin, duly seconded by Mr. Gaughran, and unanimously carried, it was

RESOLVED, To accept the Minutes of the August 29, 2017 Audit Committee Meeting.

Mr. Szabo introduced Edward Lee, Audit Partner and John Pontecorvo, Manager of KPMG.

Mr. Lee distributed the 2018 Audit Plan to the members and stated that they have completed all of the deliverables remaining for 2017 and 2017 included the Uniform Guidance for Single Audit, which was the audit for the Federal grants, this was the first time in several years that this was needed. It is anticipated that this audit will be needed for the next few years, as well.

Mr. Lee stated that there were no new accounting pronouncements to adopt this year, so the financial statement audit should be pretty straight forward, as well as the report. There are a few items in the future, such as the post retirement benefits and the change in accounting for that, as well as leases, that he will discuss with management as the audit is being performed, and will spend more time on that explaining some of the implications, after this year's audit.

Mr. Lee stated that two new members will be joining the team, one being Chris Davanzo, as In-Charge Senior Auditor and another, as a Support Manager to Mr. Pontecorvo.

Mr. Lee further discussed KPMG's audit approach and methodology, indicating that this has not changed.

Next, Mr. Lee asked Mr. Pontecorvo to review with the members the audit plan. Mr. Pontecorvo explained that there have not been any significant changes and that the Authority is in a "status quo" year. He indicated that for F/Y 2018, the scope of their audit will consist of an audit of the Authority's financial statements in accordance with U.S. GAAS and GAGAS. The only item different this year is the auditor's report on Federal awards in accordance with the Uniform Guidance (single audit). He discussed timing and indicated that their plan is to kick things off for interim test work during May through June, take a short recess and resume their final audit procedures from the month of July through August. They will present their results to the Audit Committee in August, which is consistent with last year's schedule.

Mr. Pontecorvo then 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 and OPEB's valuation. He also reviewed the new accounting pronouncements.

Mr. Lee reminded everyone that regarding the pension evaluation, KPMG is bound by receiving the pension reports from the State. This was an issue based on the timing of when those reports get issued each year. KPMG will work with Beth, in an attempt to expedite, but the State tends to delay their issuances because of changes in discount rates and mortality tables. The later they receive the reports, the more difficult it is for KPMG to meet the August date. Mr. Gaughran suggested that the Authority send a letter to the State Comptroller in this regard. Mr. Szabo agreed.

Mr. Pontecorvo continued with his presentation which covered the involvement of others, such as Nyhart Consulting, as well as Internal Audit. He also described other procedures such as, review of journal entries, review of financial statement disclosures, perform test work on the Authority's entry level controls, review minutes of board and other committees and send a legal letter to in-house counsel and to external attorneys to determine litigation exposures and assess financial statement impact, if any.

Mr. Lee reviewed the audit fees with the Members.

He then reviewed KPMG's Engagement Letter, as well as their Peer Review Report, that is attached to that letter. He stated that he will continue to update the Members in this regard.

Mr. Lee continued with the accounting pronouncements and stated these will be for future periods.

Next, Mr. Lee discussed the Audit Committee Agenda document which shows what is being discussed at Audit Committee meetings and there has not been too much change. The focus continues to be on financial reporting, oversight controls, cyber securities and IT risks, promoting transparency in all financial reporting, as well as annual reports.

Mr. Lee also discussed risk management and offered to give a presentation on this topic with other experts, if necessary.

The committee members thanked Mr. Lee and Mr. Pontecorvo for their presentation.

On motion made by Mr. Halpin, duly seconded by Mr. Gaughran, and unanimously carried, the meeting of the Audit Committee was adjourned at 4:32 p.m.

Respectfully submitted:

Maria Trupia, Executive Assistant/Secretary to the Board

Reviewed by:

Alicia Simson, Internal Audit Manager