

South Central Connecticut Regional Water Authority
Audit-Risk Committee
February 18, 2021
Meeting Transcription

[AUDIT RISK COMMITTEE MEETS FROM 12:32 P.M. TO 1:01 P.M.]

David:

Yeah, so it's something that can be dangerous. All right, thank you. So now we go to recess as the authority, and meet as the audit risk committee, who would like to make that motion?

Suzanne:

I'll make that motion, David.

David:

All right, Suzanne moved and Kevin seconded. All those in favor, say "I".

Suzanne:

Passes unanimous. Tony, it's up to you, Sir.

Tony:

I'm not so sure you're going to like the meeting. One of the things I want to do is to look at workload that we've got projected, and what our agenda is for the year. I think it's time me to get myself in the middle of that. Can I have a copy of the work plan?

Suzanne:

Is it just me or is he very hard to hear?

Tony:

It's hard to hear?

Suzanne:

That's a little better.

Rochelle:

The work plan was not on the agenda but I can send that as a follow-up.

Tony:

Okay. So what did I want to do is to look at, for the next meeting, certain roles for the committee to engage in and I think I'll send them out. Do I send them through you, Rochelle?

Rochelle:

You're a little hard to hear, but if it's the roles of the authority, send it to Jennifer, but perhaps copy me if that's okay.

Tony:

Okay. How do I get out of all of this and to my volume controls? What's going on here?

Prem:

Let's see here.

Suzanne:

Aren't his volume controls on his computer itself and not on the screen?

Prem:

That's right.

Rochelle:

Should be at the bottom.

Prem:

Probably the second or third icon on the bottom, right hand side.

Tony:

On the right hand side?

Prem:

Yeah.

Tony:

There, I can only leave the whole process.

Rochelle:

First step, hit "Escape". The screen gets a little smaller, so you can get to the computer right now. You're seeing the whole screen. So if you hit "Escape" on the corner on the top left side corner, escape button.

Tony:

It didn't help me.

Suzanne:

Are you on a PC, Tony? Or are you on a tablet?

Tony:

Okay, guys, I'll do the best I can.

David:

That was clear.

Tony:

You're still having trouble hearing me anybody?

David:

So to keep speaking that level, that would be helpful.

Tony:

Okay that's fine, thank you. So what's on our agenda first?

David:

The minutes of the meeting.

Tony:

Okay, thank you very much guys. Entertain a motion to approve the minutes of December 17th, any additions or corrections? Hearing none, all in favor say "I". Closed, motion carries. The plan of the audit for 2021, Mr. Smith and Mr. nOSSEK .

Ron:

Thank you very much. Nice to see everyone, I hope everyone's doing well. First and foremost, to introduce the changes, that are transpiring both or have transpired at the level of the firm. Then also that we'll be transpiring relative to the audit team that we'll be working on the authority's audit for the fiscal year '21. From a firm perspective, I'm assuming you all are aware, if not, you're probably confused as to why the letterhead has changed on this letter, but Blum Shapiro was actually acquired by Clifton Larson Allen. It was effective January one of 2021. It really was rather seamless to those of us at Blum Shapiro. All of our offices are still open. There is absolutely no plan present or future posing at any of those offices, we kept our head out.

Ron:

There was no head reduction relative to that transaction, and our audit teams are quite frank. Even the folks are still the same. The industry units are still the same. CLA actually didn't have much of a presence in New England. So I think that, more than anything drives the fact that really for now, and I don't foresee any significant change as we go down the road. The only real thing that has changed is the name and the letterhead. It will be some changes in methodologies as we go forward, but I think they're going to be seamless to you and just some modifications that we may need to make as the audit team. So that's the change from the very top, the change in the audit team this year. [Jess Anna Scott 00:08:31] is stepping away from the engagement.

Ron:

I'm not exactly sure how long she's been involved, but I know it has been over a period of probably eight years or so. So we're bringing in Dan Smith, who is familiar with the authority. He will be performing the role of manager on the engagement this year. I've worked with Dan on multiple occasions. In other engagements, you're getting a very high quality individual, a very intelligent individual. And I think you'll enjoy working with him.

Ron:

As to the audit plan for this year, the communication that you have on the screen in front of you, you probably noticed it was quite pared down from prior years. Actually, what is on screen right now is the engagement letter. We also sent out a preliminary, called preliminary 114 communication, which really is the primary thing we're here to talk about. The communication we used to send was probably eight or nine pages. It's down to three now, and it really only addresses what our responsibilities are, and requirements of the communication relative to the audit.

Ron:

So it talks about our primary responsibility of expressing an opinion on the financial statements. It talks about our responsibilities relative to gaining an understanding of internal control over your financial reporting processes. It talks about our requirements to gain an understanding of compliance requirements that are applicable to the authority and testing those compliance requirements. In the end, if anything comes out of all of those areas relative to problems or matters that are of a significant nature, we're required to communicate those to you, those charged with governance. Basically, really this communication is simply to lay the groundwork over the fact that, "Here's what we're going to do, here's what our plan is, here's what our responsibilities are".

Ron:

Your responsibility if we ask of you back, is simply, if there are matters that you're concerned with, areas of significance that perhaps you really want us to take a look at or have some issue with, you need to feel free and please reach out to and communicate to me or to Dan, relative to those matters and we'll get them integrated into our audit plan. Ideally, it will be early in advance of our full performance of planning and risk assessment, but certainly an audit process is an iterative process. Meaning, it changes as information comes into the pipe, and you evaluate that information, sometimes you have to go a drift of what your original plan was because of information that may lay out to you.

Ron:

The 114 document doesn't communicate our upcoming standards and things of that nature, which are not required. We, at the Legacy Blum used to always include those Clifton Larson Allen more methodology than anything else, but rest assured we have been communicating with Rochelle on a couple of matters, relative both to [Gatsby 00:12:17] statement implementation, as well as some [Ghazni 00:12:25] implementation relative to some transactions that may be coming down the road to the authority. So we have had communications with Rochelle regarding those, and continue to have those communications. So we are aware of some of the things that are planned and some of the strategies that are going on.

Ron:

One of the other things we're required to communicate to you at any point in time, work that CLA is doing with the authority that is outside of the scope of what we are hearing, talk about the audit engagement and the reason being, is that you need to know exactly what it is we're doing as a firm for yourselves to evaluate the independence factors related to them. I think Prem is on your agenda today to talk about one of those things. So I'm not going to delve into it, rather than just to say we have issued a legal proposal that Prem has looked at and evaluated. From our perspective, our requirement to communicate to you now at this point is we were aware of that as the audit team. The proposal came from our advisory group, but we are aware of it. We've evaluated it for independence and feel as though there are no independence issues related to the services. If the authority would have moved forward with that. Now I'll just leave it at that, but I just did want you to know that we were aware of it.

Ron:

Overall scope of the engagement, not a lot has changed relative to what the areas of emphasis are going to be, that can and likely will change relative to some emphasis has to do with what I stated or talked about a little bit earlier, some communications and conversations we've had with Rochelle relative to somethings that may occur, some transactions that may occur down the pipe. They are a little bit complicated in nature, and so we will have some focus relative to them to make sure they are presented in the financial statements appropriately if they do in fact take place. That's all I was going to go through with you today. If you have concerns or questions for us, please feel free to reach out directly to us, relative to them. I'll take any questions that you may have. Tony, back to you.

Tony:

Any questions? We'll keep moving on. Somebody else wanted to talk? Dave, you're muted.

David:

Sorry. It's not for the auditor. So they're set to leave, but it is related to this, that I wanted to ask Rochelle a question. So once they leave, it'll be a quick question. Have you had a chance for Shell to look into Clifton Larson Allen and what the reputation is and other businesses that they've worked with?

Rochelle:

I actually haven't, I understand that they're nationwide. Right before this was happening, Ron did reach out to me and assured me that there really wouldn't be any changes at this point. I think Ron alluded to it some minor, what I'll call procedural changes. But other than that, it does seem to be seamless.

David:

Okay, thank you.

Suzanne:

Can I just ask who bought who?

David:

CLA bought Blum Shapiro.

Suzanne:

Okay, so there are likely to be changes down the road. It won't happen soon but we'll wait and see.

Tony:

You are expecting that CLA will put their mark on Blum Shapiro?

Rochelle:

Yeah, I think it's that perspective. Even the engagement letter was a little bit different. That's actually why it was delayed, we were going back and forth on just a couple items.

David:

But you're satisfied they're doing what we had expected contractually and in reality?

Rochelle:

Yes.

David:

Okay, thank you.

Tony:

Anything more? Okay, thank you. Let's move on. We're going to Prem next. Okay, let's go, Prem.

Prem:

Thank you, Tony. Good afternoon everyone one, I want to keep it short and sweet. We talked about our cyber incident, I sent out a communication, as you had seen, based on the Florida City water situation, where a cyber actor came into a really sodium hydroxide levels as part of their chemical plants. So based on what I said, communication, there were further discussions on over the FBI and DHS. So for today's agenda, I just wanted to give a high level overview of where we are and in terms of our action plan, what we have in place and what is yet to be done.

David:

Should we be going into the executive session then?

Prem:

Yes, please.

David:

So I'll move that we go into executive session, inviting the RPB member and the leadership team members that are present.

Jennifer:

How about Jeff Valadez? Should he stay? Is he with you, Prem?

Prem:

Is Jeff the CLA person?

Tony:

Good question.

Rochelle:

Can you ask Jennifer?

Jeff Valadez:

This is Jeff Valdez. I'm just an interested public observer so I can leave at this point in time.

Jennifer:

If you want, I could put you in a waiting room until we're done and then we can recall you back.

Jeff Valadez:

Okay, that would be fine. Thank you.

Jennifer:

Okay, it might be a short time, so just hang on there.

Prem:

Thank you, Jennifer. I think we can go to the...

Tony:

Let me to call a vote, all in favor of going into executive session, please say I... Motion carries. Okay, we're in.

[EXECUTIVE SESSION FROM 12:48 P.M. TO 1:01 P.M. AND ADJOURN]