

**South Central Connecticut Regional Water Authority
Audit-Risk Committee**

**February 24, 2022
Meeting Transcription**

[AUDIT-1RISK COMMITTEE MEETING STARTS AT 12:31 PM]

Catherine:

Good afternoon, everybody. The first thing we'd like to talk about today is, get an update on our cyber security. Let me quickly introduce and then we can move into an executive session. Michael Steinmetz, is that correct?

Mr. Steinmetz:

Mike Steinmetz. Yes.

Catherine:

Okay, Mike is a Security Advisor and Principal at Digital Executive Limited. My colleague, Rick Fontana from The City of New Haven heads the city's Office of Emergency Management and Homeland Security. I'd like to entertain a motion to go into executive session for the purpose of discussing security strategies related to cyber security.

Kevin:

So moved.

David:

Second.

Catherine:

We moved and seconded the discussion. All in favor, indicate by saying aye.

Group:

Aye.

[AUDIT COMMITTEE MEETS IN EXECUTIVE SESSION FROM 12:32 PM TO 1:16 PM]

Catherine:

All right. The next item on the committee agenda is related to the plan of audit. Rochelle, would you like to introduce our guests?

Rochelle:

Sure. We have Ron Nossek and David Flint. They're the partner and the manager that's on the engagement. They were also on the engagement last year. They'll be giving you a date regarding the process that's going to be used for fiscal 2022 year-end audit.

South Central Connecticut Regional Water Authority
Audit-Risk Committee
February 24, 2022

Catherine:

Okay. So, this is the second audit following the acquisition of BlumShapiro by CLA?

Rochelle:

Yes, it is. It is the first audit, is my understanding that's going to follow, fully the CLA methodology.

David Flint:

That's correct.

Rochelle:

Last year was a bit of a transition year.

Catherine:

Thank you.

Rochelle:

Okay. Ron and Dave, take it away.

Mr. Nossek:

Hi, everybody. It's good to see you. You did receive, I see it up on screen now, our communication. This is the template. This is a little bit different from the very beginning, relative to what you may have been used to see from BlumShapiro. This is the correspondence to those charged with governance, to be communicated to you during the planning phase of the engagement.

Mr. Nossek:

For the most part, what this goes through, and I'll summarize it very quickly for you. It really is solely about CLA's responsibilities, your auditor's responsibilities under general accepted auditing standards and generally accepted governmental auditing standards relative to the performance of our engagement that we've contracted to perform with you.

Mr. Nossek:

Its relevance, really is to the financial statements, and the process of identifying and assessing the risk of material misstatement to the financial statements and the fact that our audit plan is developed based off of the identification and assessment of those risks. Then also, relative to our responsibility under governmental auditing standards, to the internal control system that is relevant to the financial reporting process of the authority.

Mr. Nossek:

In the case of the internal control, if there are any significant deficiencies or material weaknesses relative to internal control, we will communicate those to you in a written communication at the end of the audit engagement.

Mr. Nossek:

We will, probably if there's any, or not probably, if there's anything of real significance that comes to our attention during the performance of our procedures, we'll reach out to you immediately, relative to something of that matter. If it's general in nature, if you will, it may just wait until the end of the engagement, prior to issuance but during the wrap-up phase.

Mr. Nossek:

Timing-wise, we're scheduled right now to be out there, begin our work on April 11th. As Rochelle clarified, this is the second audit, if you will that, the audit opinion will be on CLA letterhead, but we are under full CLA audit methodology for the first time since performing work for the authority.

Mr. Nossek:

Last year, due to the timing of the engagement, we were grandfathered into BlumShapiro methodology, to be able to utilize BlumShapiro methodology. This year, that will not be the case. You will, and I guess when I say you, more focused towards management. You will see quite a few changes relative to the work we're doing and the work we have to do.

Mr. Nossek:

Perhaps areas of focus, although they shouldn't change all that much relative to where we're going to focus the bulk of our time, but one of the things that we used to integrate into this communication with you, with the board was our fraud risk inquiries to those charged with governance.

Mr. Nossek:

In this meeting, I don't want to cut off, if there's any communication that you would like to convey to us right now, relative to areas that you think are important for us to look at, or if there are any concerns relative to fraud, be it actual, or perhaps considered an area of weakness, certainly you can communicate those to us today.

Mr. Nossek:

We will reach out to the board chair and actually have an interview with the board chair as well as this committee chair in order to go through a formal fraud risk inquiry with you. It's probably 20 to 30 minutes worth of time depending on what percolates up from that conversation.

Mr. Nossek:

That will be something that's a little bit different. We may, although we haven't made a final decision on this, but we may send related party inquiries out to certain board members as well, as part of our audit process. That will be something that's a little bit different than what you're used to.

Mr. Nossek:

What I would respectfully ask is if communications of that nature do come to you that, you turn them around and get them back to us as quickly as you can. Most of them are in written form, but if you feel it would be a lot more efficient to your day and your responsibilities just to pick up a phone and talk to us about it, that's more than acceptable from our perspective. We just want to get a response from you, somehow, some way that we can document within our work product.

South Central Connecticut Regional Water Authority
Audit-Risk Committee
February 24, 2022

Mr. Nossek:

One of the bigger changes that's down on the backside is the national review process. There's a group of folks. The acronym we use is NATG. It's the National Assurance Technology Group, our technical group. All of our audits go through a second review with them. That is a relatively large difference from what BlumShapiro did.

Mr. Nossek:

BlumShapiro, we used to do what's referred to in the industry as concurrent review. So, another partner would look at it, but not necessarily someone who does technical reviews 24/7, if you will.

Mr. Nossek:

That does, because it is a rather large group, and they've got some folks that do it, maybe 50% of the time as well when there's overload and they need to get some more people involved. To give you, I guess a frame of reference, right now, I believe they're promising or assuring us there's about a 72-hour turnaround from when we submit a job to tech review.

Mr. Nossek:

BlumShapiro used to come back to us in a day. On top of that, the focus of the review extends into the work paper product quite a bit more than what Blum concurrent review did. The focus, typically at Blum wasn't just on the financial statements.

Mr. Nossek:

I'm really telling you all this so that ... We have had this communication with Rochelle. It takes a little more time, from the moment in time when we submit to second review, to when we're ready to finally issue those financial statements. We're trying to plan that into our work schedule. Trying to feather that into, if you will, working with management, with Rochelle and her team because there's a certain timeline that they need in order to prepare for us.

Mr. Nossek:

We'll work together and we'll communicate a lot, but I guess I just want to forewarn you that timing might get tight down the back end. That's what we've been experiencing, but we'll do everything we can to meet the deadlines that we have committed to.

Mr. Nossek:

Then finally, just from the perspective of risk areas that, perhaps ... Not perhaps in this case, but are new to the Authority is based off of the acquisition activity that has taken place. There will be some additional work we're going to be doing, relative to that transaction and/or those transactions, if anything else transpires between now and the end of the fiscal year that is unique, relative to what we've seen or what I've seen in my time with you.

Mr. Nossek:

One of the things that we will need to do is that, that is an area, a transactional area that will have to go through our national office as well. That will be Rochelle, I guess. I'm really, I guess, giving you the heads-up on this.

South Central Connecticut Regional Water Authority
Audit-Risk Committee
February 24, 2022

Mr. Nossek:

That's going to be one of the first things that we're going to address when we get in to begin final fieldwork because at that point in time we're going to want to kick it to NATG immediately and get their clearance on it. If we need to tweak the work we've done, have plenty of time still left in the field, to be able to do that.

Mr. Nossek:

Those are the areas I was just going to address with you today, relative to this meeting. I'll turn it back to you. If you have any questions, we're here to answer them. If not, we're only a phone call away and always willing to take the call.

Catherine:

Are there any questions concerning the audit plan?

Larry:

Ron, hi. This is Larry Bingaman.

Mr. Nossek:

Hi, Larry.

Larry:

Any changes in regulations or standards that we should be aware of, or that you could be looking at our financials a little differently?

Mr. Nossek:

No. There's nothing really significant in, so far as accounting standards. There is one GASB statement that's, year of implementation is the year that will be under audit, but it has to do with construction projects and the capitalization of interest during the course of that project. That's not a big deal. It's not that big of a lift.

Mr. Nossek:

What you do have coming down the pike next year is the lease standard. That'll be something that we'll talk to you about on the exit meeting subsequent to the audit. I guess for now I would tell you that, that is a heavy lift. That standard is going to be a heavy lift to implement.

Mr. Nossek:

CLA has some implementation strategies that we can assist you with. At that point in time I'll communicate what those are to you, and the decisions are going to be yours relative to, is it something you're going to do in-house or is it something that you're going to look to from an outside resource.

Mr. Nossek:

Again, just the heads-up, so to speak is that it is a heavy lift. It's going to take some time to gather the information and evaluate the information in order to implement that standard.

South Central Connecticut Regional Water Authority
Audit-Risk Committee
February 24, 2022

Catherine:

Any other questions for our guest? I see none. Mr. Chairman, I think we can ... Well actually, entertain-

David:

Well, you're the chairman. Why don't we move to adjourn the risk audit committee.

Jennifer:

We have minutes. We're going to approve the minutes.

Catherine:

Oh.

Rochelle:

Yeah. Thank you, Ron and Dave. We'll be in touch.

Mr. Nossek:

Okay. Thanks a lot, guys. Good to see you again.

Rochelle:

Thank you.

Kevin:

I make a motion to approve the minutes.

Catherine:

I missed one thing. I'm sorry. Did I hear, motion to approve the minutes of the audit risk committee?

Kevin:

You did.

Suzanne:

By Kevin. I'll second it.

Catherine:

Thank you. All in favor.

Group:

Aye.

Catherine:

Actually, that was unanimous so that's fine. All right. That being said, I entertain a motion to move out of ...

South Central Connecticut Regional Water Authority
Audit-Risk Committee
February 24, 2022

David:

Adjourn this audit risk and then reconvene as Authority. I'll move that if that's all right?

Catherine:

Okay.

Suzanne:

I'll second it.

Catherine:

All in favor.

Group:

Aye.

Catherine:

Aye. Did you vote, Kevin? I'm sorry.

Suzanne:

He did.

Catherine:

Yeah. That was for. All right. That concludes the meeting.

[AUDIT-RISK COMMITTEE MEETING ADJOURNS AT 1:29 PM]