

**Representative Policy Board
Finance Committee
South Central Connecticut Regional Water District
Via Remote Access**

Meeting Transcription

March 14, 2022 at 5:00 p.m.

Tim:

Okay, it's five o'clock guys, we're going to get started on this hot meeting. Welcome all to the Representative Policy Board Finance Committee meeting of Monday, March 14th, it's five o'clock, and the year is 2022. And we're going to start off with the safety moment. Our safety moment is about mold. We definitely want to prevent mold. Avoid mold and not drink it or breathe it. And this is a little bit of better understanding of mold. I'm free of mold, so good luck to the rest of you. So now we'll move on to the next task of review plan of audit Fiscal Year 2022. I don't know if Ron has joined us yet. Yes, he is. There he is.

Ron:

I'm here yeah.

Tim:

I see you down. You're in the basement of my level look. But welcome Ron. You are on Teams and you may take the floor.

Ron:

All right. Well, I'll be-

Rochelle:

Jennifer, do you want to show the letter? The communication letter?

Jennifer:

Sure.

Ron:

So I'll be relatively brief. We've gone through this many times. This communication hasn't changed all that much. Although we now are under the full audit methodology of CliftonLarsonAllen last year while we were under the letterhead if you will. Due to the timing of the engagement we were grandfathered in and performed the work under Blumshapiro's audit methodology. The two don't differ all that much, but there are some nuancical differences that for the most part, will be seen and felt by the audit team and perhaps a little bit by Rochelle and her team. But from the perspective of you... those charged with governance, it should be... basically a non-event for you. But their communication is a little scaled down from what Blum used to give you. However, it's talking about the same thing.

Ron:

So it's primarily just giving an explanation to you as to what our responsibilities as your independent auditors are, relative to governmental auditing standards, relative to the fact that all audits under generally accepted auditing standards are risk-based. So we do perform a risk assessment relative to the internal controls over financial reporting, and try to identify as best we can areas that are susceptible to material misstatement and the financial statements, and we focus our audit... quite a bit of our work within those areas. And that is, and continues to be a continuing responsibility of auditors relative to financial statements.

Ron:

It also talks about, under governmental auditing standards, our requirements to gain an understanding of your internal controls, to test compliance for material non-compliance. Report any internal control findings, report any compliance findings to you. And so on down the line. Some of the changes that you may see, I've often brought to your attention at this meeting, the fact that if there are any concerns that you have right now currently, while this is one of the times that you can communicate those to us directly relative to, if you have any concerns relative to fraud, or just financial statement reporting issues, or anything of that nature.

Ron:

This meeting, if nothing else, communicates to you that... it's an open line of communication. You can pick up the phone, you can tell us tonight, you can pick up the phone and call me tomorrow, you can pick up the phone and call me in three weeks. I'm always going to take your call, and any concerns you have, are very important to us. The key here is, we got to be out in front of it, and you've got to be out in front of it if you do have concerns. Because if you do, it's best if we bake that into our audit plan which we're just in the infancy of developing out for the Fiscal '22 audit. If you communicate things that are bothering you to us at the end of the engagement, we either got to circle go back and do more work, or we may have to bypass it, relative to the current year.

Ron:

So again, just the heads up, I guess, or the communication to you that we're here, if you have any concerns, please do communicate those to us. Then we also... within the context of this communication, provide you with a list of what the upcoming Gatsby standards are and the implementation schedules relative to those standards. There's only one standard that's going to be applicable to the Fiscal '22 audit, which relates to interest cost during a construction period, not a heavy lift, not a big problem. Insofar as it affects the authority next year. There's what? One, two, three, five... I think, five or six new standards that are going to be subject to implementation next year.

Ron:

Most of them are relatively easy. However, the least stand is effective next year. And we do believe that that's going to be a heavy lift for all governmental entities. So we're going to start on that process pretty quickly. Probably during the course of this engagement, just trying to design some thoughts and ways to start accumulating the information we're going to need in order to implement the standard effectively. So that's really the summary of what that communication is, and what I'm here on screen, as opposed to in-person, to talk to you today about. So if you have any questions, or any concerns you want to voice to me, I'm going to turn it back to you, and I'm here for as long as you'd like me.

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Jay :

Same to me.

Tim:

Well, and I have two questions, but I would like anyone to go before me, just speak out and-

Jay :

I have one tip. This is Jay from [Orange 00:08:20]. Have we been that... do you know of subject to any cyberattacks?

Ron:

Not that I am aware of. Nothing has been communicated to us relative to that. I don't know if Rochelle can expand on that or not. Or anybody from management.

Rochelle:

No, we've not been subject to any cyberattacks Jay. We've been good with that.

Jay :

Very good. Okay, thank you.

Tim:

These are mine. Thank you Jay. I know the authority is engaged in other business entities. Interest in them, whatever level of ownership, or just an interest, do the borders in an audit stop with strictly the activities of our books so to speak? Is that a focus area that you go beyond our boundary lines of accountancy?

Rochelle:

It'd be Tim [crosstalk 00:09:28].

Tim:

[crosstalk 00:09:28] you can understand my question, right?

Tom:

Tim maybe I can answer the question. The entity that we acquired is going to be a consolidated entity. So it will actually be on our books.

Tim:

Oh, okay. So it's on our books, and then therefore subjects are the same. And thank you for that Rochelle. The other level of questioning has to do with... do you from audit to audit have an area of focus? And I'm not suggesting that because I ask a question on a certain area you might not target that. But just in general, so that your audit doesn't become perfunctory routine. The general handshake, it's all over, you did great guys. Do you on your own, take a deeper dive into certain areas that are just subject to more concern as you go through an audit?

Ron:

Yeah, really Tim that's part of the risk assessment process that we're required to follow. And there are also certain audit areas. One is revenue recognition, and the other has to do with journal entries. The recording of journal entries by management, both of those are considered high risk areas and by standard. And so it's a pretty high hurdle to get over, to get yourself out of an environment where you could consider those to be something other than high risk. So those are always areas of focus relative to journal entries, as they relate to revenue recognition. Your focus tends to be at the end of the year. What's happening during the last month, and then the first and second months of the subsequent year, when journal entries or entries are being posted that relate back to the fiscal year that you're auditing, because that tends to be where... if there is some manipulation of the financial statements, that's where it's occurring.

Ron:

Relative to revenue wreck, that's across the board the entire fiscal year. We've got to do transaction level testing recalculation. We do predictive analysis relative to revenues just to get ourselves to a high level of comfort, that what is on those financial statements relative to gross revenue is fair and reasonable relative to the authority. And then there are also other areas that they may bounce around. The economy will sometimes percolate some areas up, perhaps a grant program, or some program that you've undertaken. Certainly when you're doing the transaction that you did, that's going to be a high risk area. The recording of that transaction and how it impacts the books.

Ron:

If other transactions take place between now and the end of the fiscal year, the same thing's going to happen relative to those. And then we also try to bake in... and sometimes it might sound like a little bit of a lame test, but we try to break in something that's totally unpredicted. And it might be as simple as "We're going to test expense requests for reimbursements." so meals and things of that nature. Just to make sure that the control system is being followed, that checks aren't being cut to members of management without appropriate documentation and so on and so forth. So I guess, the global answer is, "Yeah, it does move around." If it is becoming perfunctory, then we're making a mistake as auditors. So we're pretty careful not to allow that to happen.

Tim:

Good, good. And I didn't expect much different of an answer, but I think it's a good ask just because your service is important.

Ron:

I agree.

Tim:

Anyone else? Okay. Well, Ron thank you for that and have a ball.

Ron:

All right. Thanks so much. [inaudible 00:13:49] see you soon.

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Tim:

Thank you.

Mario:

Thank you.

Tom:

Thanks.

Rochelle:

Thanks Ron.

Jay :

Thank you.

Tim:

[inaudible 00:13:54] Ron. Okay guys and girls, we are at our approval of minutes for February 14th, 2022.

Tom:

[crosstalk 00:14:04] move.

Tim:

That was Valentine's Day by the way. We met on Valentine's. Isn't that something else?

Jay :

Second [crosstalk 00:14:10] motion.

Tim:

We have our motion, we have a second. Do we have a second discussion?

Jay:

Yes.

Tim:

Okay all those in two favor of those submitted?

Group:

Aye.

Tim:

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Motion carried unanimously, minutes are accepted as... done. Okay, we now go to the quarterly report on RPB approved projects. Rochelle.

Rochelle:

Thank you. And Jennifer, if you can call it up. Thanks. So we actually have a news on the Derby Tank. I'll call her the analyst that was working at Connecticut DEEP to look at the encumbrance on the tank site, has actually put in an email that she does not believe that the site is encumbered. We are expecting a letter from the interim commissioner of DEEP, or the assisting commissioner to more formalize that, and we are expecting that very shortly, and then we can finally get going on the project.

Tom:

Yay.

Rochelle:

So that was good news. So I'm anxiously awaiting the letter.

Tim:

So that doesn't necessarily change any anticipated completion, but it certainly helps with the start. Is that correct? Rochelle?

Rochelle:

Yes, yes.

Tim:

Okay. Okay. Excellent.

Rochelle:

The next item on the list is RTU project. I'm not going to reread what's here, but just to refresh your memory, that this is going to be a DWSRF project. So we should be getting a low cost loan and grant, probably sometime in Fiscal '23, probably the earlier part of Fiscal '23, the expected completion is April of 2022. Sleeping Giant Wellfield Facility Improvement. This is really in its final stages as you can see from the description that was provided. And then the West River Water Treatment Plant Improvement project. This is the large recently approved project. It is now expected to complete in September, 2023. By way of prudence what we did proposed to the authority board and they approved, we did move some three million dollars of Fiscal '22 budget into contingency, because this project has been impacted by supply chain issues. And that way... that's sorted the logistics from a paper work perspective to reserve the money, so the money will be available into Fiscal '23. Any questions on these projects?

Tim:

I don't see any, so I guess we can move along. So here we arrive now at the committee member to attend the meeting on... A, has been changed to the 31st. And that meeting will be attended by myself. So that's an in-person session, which is nice. And so I'll be meeting them in person that morning. And then we are still looking for a volunteer for the Thursday, April 28th meeting of 2022. I don't know if

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anyone's leaping to that, with the capacity to leap. I will attend if necessary. We will not go on unattended.

Suzanne:

Tim, I just wanted to mention that the meeting on the 31st starts at 9:00 for the RWA, and it includes both the budget and the regular meeting. So I don't know how much of the RPB member... if that's what you're talking about, needs to attend.

Tim:

Oh, okay. So what would you-

Larry:

If I just add that, Suzanne there's been a last minute update, the meeting's actually going to start at 8:30, and we're going to do the budget meeting first, so that Tim, you could plan on joining us about noon. We'll have lunch if you want to do it in-person.

Tim:

Okay. So if I join at noon, I get a lunch out of the deal. Okay, that's great.

Larry:

That's right.

Tim:

Okay, that's fine. That's fine.

Larry:

Such a deal. Where could you get that?

Tim:

Yeah. Hey, I miss your lunches. I miss your lunches.

Tim:

This in-person thing is terrific.

Larry:

Yes.

Tim:

Nothing like a decent sandwich.

Mario:

There goes the budget.

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Tim:

Only if there's cupcakes.

Suzanne:

Well that's why we have to have the budget meeting first.

Tim:

Okay.

Tim:

Great stabilization.

Rochelle:

[crosstalk 00:19:18] cause a draw. Right?

Tim:

Okay. So we are back to that quandary about the April 28th. I don't know if any members had an opportunity to think about it. But if not, you can put me down for that and I'll stay in it for that if necessary. No problem at all. Okay, so we move along to new business, I'm not certain there is any, but if anyone has something to shout about, maybe now's the time to do it. And we can say yes or no. Any new business?

Mario:

Tim if I could just... hopefully everyone got a copy of the email I sent out to the RPB about how we're going to handle the commercial enterprises, as part of the budget presentation. I appreciate Rochelle and Larry having their arms twisted so that we can do that, with the full RPB. And also we'd have any executive session. So if Rochelle is the one who's fielding the questions and she feels, "Oh, this is something we need to go to executive session." We'll just hold those for the end of the meeting and people who want to continue on will stay for the executive session and those who want to leave can leave. So hopefully that provides the flexibility that everyone is looking for, so that we can cover the big picture stuff in open session. And then if need be, we can go into an executive session at the end of the meeting to cover some of the other details. So-

Tim:

Mario, as long as you're on... I know this isn't new business, but you're here, so I'm going to ask. Our regular meetings, when do you anticipate the RPB meetings being able to go to something other than the hybrid, but certainly in-person?

Mario:

I'm thinking April.

Tim:

April you're thinking? Okay.

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Mario:

But I think we're meeting as the executive committee and that's one of the items to try and discuss.

Tim:

Okay. Okay, fine.

Mario:

Okay.

Tim:

We'll hold it till then, but I appreciate that [crosstalk 00:21:19].

Mario:

I'll have to see how hungry everyone is, and what kind of food budget Jennifer has left.

Tim:

Okay. Okay. Terrific.

Tim:

So guys and girls, we are back to just the notation that the next finance committee will be Monday, April 11th, at five o'clock. And I presume by then, it may well be in-person. So we will see what happens. If not, we can discuss that too, a little bit later, but certainly before the meeting. So with that, I'll ask for a motion to adjourn.

Tom:

I move.

Tim:

Second?

Charles:

Second.

Tim:

There you go all those in favor?

Group:

Aye.