

**MONTGOMERY-OTSEGO-SCHOHARIE SOLID WASTE
MANAGEMENT AUTHORITY**

AUDIT COMMITTEE MEETING

DATE: January 9, 2009

LOCATION: MOSA Administrative Complex, Howes Cave

MEMBERS PRESENT:

Olga Podmajersky
Philip Skowfoe
John Mattas

MEMBERS ABSENT:

OTHERS PRESENT:

William Freitag, BST
Heather Briggs, BST
Barbara Corrigan

1. Opening

Meeting was called to order at 9:00 a.m.

2. Approval of Agenda

John Mattas motioned to approve the Agenda, Phil Skowfoe seconded.
Agenda was approved

3. Approve minutes for last meeting September 18, 2008

John Mattas motioned to approve the Minutes, Phil Skowfoe seconded.

Ms. Podmajersky noted the date needed to be changed in the header and a purpose for going into executive session was required.

Mr. Skowfoe indicated the purpose should be for personnel matters related to transfer station visits.

The minutes were approved with the changes.

4. Preliminary Meeting with the Auditors

Ms. Podmajersky indicated that the Public Authorities Accountability Act requires that the audit committee have a preliminary meeting with the auditors.

Mr. Freitag indicated that the Public Authorities Accountability Act obligates the Board to such a meeting and auditing standards have obligated the auditors to have such a meeting previously. He questioned if there were areas of concern that the committee would like the auditors to address during the audit.

Mr. Freitag proceeded to outline what an audit entails:

- Testing systems and the underlying controls – problems are communicated in the management letter
- Audit the balances represented on the financial statement
- Audits are not designed to discover misappropriations or fraud

- Concerns are identified and reviewed more closely
- 90% of fraud is detected through conversations with personnel this is why the fraud investigator interviews staff and board members

Mr. Freitag questioned if there were concerns with the financial statement reporting.

Mr. Mattas questioned if they will verify the reserve accounts. Mr. Freitag indicated all cash accounts are confirmed.

Mr. Freitag then highlighted that audit test work is done on a sample basis not all transactions are reviewed. He indicated that this is often a misconception of individuals. He continued noting that if there is a questionable transaction more test work is completed and if necessary forensic auditors can be brought in to review transactions.

Mr. Skowfoe asked if Mr. Freitag would explain the meaning of the last paragraph of the audit opinion:

“As reflected in the accompanying notes to the financial statement, during 2006 and 2007, Montgomery, Otsego, and Schoharie Counties subsidized the Official MOSA Tipping Fee at different levels. MOSA’s ability to meet its obligations in 2008 and beyond is dependent upon the Counties providing adequate waste flow and subsidization.”

Mr. Freitag said basically this entity relies on the three counties to support its operations. MOSA is very much dependent on the counties to provide proper waste flow which provides the revenue for operations.

Discussion continued

Mr. Mattas requested that the auditors look into the scale system and how it interfaces with the accounting systems.

Mr. Freitag said the auditors would document their understanding of how the system works and test transactions as a walk through.

Ms. Podmajersky requested the auditors look into the handling of cash by the weigh station operators.

Mr. Freitag indicated that any individual working with cash should be bonded. He said he would ask that Paul (fraud auditor) return and chat with the individuals at the stations.

Discussion continued regarding the possible risks associated with the situation.

Ms. Podmajersky indicated we do not know how much and suggested that rotating the weigh station operators would help prevent problems.

Audit Committee Meeting
January 9, 2009

Mr. Mattas questioned what work the auditors do regarding investments. Mr. Freitag indicated investments are matched to any existing investment policy but advice or recommendations on investment is not something auditors address.

Mr. Skowfoe shared that his auditors recommended his investments be over collateralized 25%.

Ms. Podmajersky listed the areas reviewed by the Audit committee:

- Revenue Reconciliation
- Bond Accounts
- Debt Service Account
- Credit Card Reviews
- Accounts Payable account reconciliations
- Payroll Account reconciliations
- Signatures on Cancelled checks
- Telephone records
- Employee time Reporting System
- ID of Equipment and Reconciliation in process

Mr. Freitag thanked the committee for this work indicating this was performing an internal audit function which is helpful because Boards cannot rely only on the end of the year audit functions.

Ms. Podmajersky asked if audits look to see if management in following policy and procedures. Specifying purchasing, pay raises and significant items.

Mr. Freitag indicated that purchases and pay increases should be approved by the Board. He specified that pay raises should be adopted by the Board and built into the minutes.

Mr. Skowfoe indicated that this did not happen. Mr. Freitag noted this was not an accounting problem. Ms. Podmajersky stated that the management letter contains many recommendations and they are not just accounting recommendations. Mr. Freitag noted the management letter is based on best practices. Payroll testing may show this problem. It would be considered a finding – a payment at a rate that was not approved.

Mr. Freitag continued to highlight the fiduciary responsibility that is currently placed on the Board Members based on the new guidelines. He stated that as a Board member you take personal liability so you want to be sure these items are approved in the minutes. If a Board member is uncomfortable they need to either take steps to make things right, walk away from the position or accept the personal liability. He noted that at least if it is documented in the minutes Board members can show they disagree with the items.

Mr. Freitag also indicated that the Finance committee should document in the minutes that they approved distributions for the month.

Mr. Mattas asked the auditors to look for a resolution documenting the authorization to spend \$15,000 on netting for the Oneonta Transfer Station.

Mr. Freitag summarized with indicating a draft of the financial statements should be prepared by mid March with a completion date of March 31 as required by Public Authorities Accountability Act. He questioned if the Board would want a presentation to the full Board. The indications were they would want this but not necessarily prior to the due date.

Mr. Freitag invited all of the Board members to stop in during the week of February 16 during the audit.

5. Other Business

Ms. Corrigan reported that the phones continue to need attention, a conversation took place with Mid Tel regarding the phone lines but a closer analysis of needs is required once the capital budget items are reviewed (gas boy system, fire and/or security surveillance)

Ms. Podmajersky indicated she had reviewed the past minutes and several areas need to be addressed; at the May 14th meeting a written document of the internal controls was suggested to be prepared. Vacation policies and processes need to be reviewed. Management was to review the current policies. The Finance committee was to review Financial Policies. Ms Corrigan indicated that these policies came before the Board. Ms. Podmajersky noted that this was not all of the financial policies.

Ms. Podmajersky distributed a flow chart of the current time recording and payment system. This was reviewed by the committee. Discussion continued regarding the time records. Mr. Skowfoe made a motion that time clocks be installed. There was no second so the motion was withdrawn.

Ms. Podmajersky indicated she was not comfortable with management's process of recording time. She believes a time sheet should be completed each day.

Ms. Corrigan agreed with suggested time sheet for hourly employees. Mr. Skowfoe agreed with the concept and indicated he felt management should do this as well.

Ms. Corrigan shared her concerns regarding exempt status along with the possible result a detailed accounting of time may generate.

Discussion continued regarding the process for changing policy/procedure. It was decided a recommendation should be made to the personnel committee. Ms Podmajersky was going to continue to work on a time sheet for management.

6. Closing

Phil Skowfoe made a motion to adjourn, John Mattas seconded the motion.

Audit Committee Meeting
January 9, 2009

The meeting adjourned at 10:52 a.m.

Respectfully submitted,

Barbara G. Corrigan,
Assistant Secretary