

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

AUDIT COMMITTEE MEETING

DATE: March 26, 2009

LOCATION: MOSA Administrative Complex, Howes Cave

MEMBERS PRESENT:

Edward Wesnofske
John Mattas
Olga Podmajersky

MEMBERS ABSENT:

OTHERS PRESENT:

Gilbert Chichester
Barbara Corrigan

1. Opening

Meeting was called to order at 2:58 p.m.

2. Approval of Agenda

Mr. Mattas motioned to approve the Agenda, Ms. Podmajersky seconded. The Agenda was approved.

3. Approve minutes for last meeting January 9, 2009

Mr. Wesnofske motioned to approve the Minutes, Mr. Mattas seconded. The minutes were approved.

4. Review Draft of 2008 Audit

Review of Management Letters

Ms. Corrigan reviewed the 2008 and 2009 management letters with the committee.

Ms. Podmajersky remarked that the letter looked like Chris' and includes nothing different. Also, she inquired about the password system and how often they are changed.

Ms. Corrigan responded that her concern about frequently changing passwords is that if a person is out you wouldn't easily be able to check e-mails, computer updates, etc. and that employees perform multiple job tasks; we need access to all computers to conduct daily business. Ms. Corrigan offered to ask MOSA's IT person, Brett, about a system by which passwords are changed on a cycle.

Ms. Podmajersky replied that Ms. Corrigan and Mr. Chichester are entitled to have access to employees' computers, but that others are not. Ms. Corrigan advised that historically, employee sharing of computers has occurred.

Mr. Wesnofske advised that in his experience in working at a University, sign on names and passwords to monitor access had to be changed every 6 months and that a system could be put in place here to do so. He further remarked that he understands this is a small office and that employees need to back up each other's job tasks. The suggestion to change passwords regularly may be boilerplate for all organizations and is not a big issue here.

Mr. Chichester advised the committee that different programs and/or files require special passwords. Not all employees have access to get into all programs and files; however, we can look into it and see what makes sense.

Mr. Wesnofske asked if our "Conflict of Interest" policy includes managers or is strictly for the Board. It may be incorporated in the ethics section of the employee manual and should apply to the Board and

employees. Ms. Podmajersky and Mr. Wesnofske agree that "Conflict of Interest" sign-offs should be done annually.

Mr. Mattas asked when there was an issue regarding "Conflict of Interest". Ms. Corrigan advised that she believed it was an historical issue that occurred in 1996-1997. Mr. Chichester agreed that she was correct. Mr. Wesnofske remarked that it was the sand pit issues and that currently, people are more aware of conflicts of interest. He will recommend to the Board a yearly sign-off regarding "Conflict of Interest" and asked to have them prepared for the April Board meeting.

Ms. Corrigan noted that some of the notes on last year's management letter had been dropped this year and had questioned the auditor about them. The auditor indicated that items listed on the 2007 management letter are best practices comments that they believe should be in place; however, if they aren't put into place, it does not result in significant deficiencies in the financial statement and therefore, do not need to be repeated. Ms. Corrigan also mentioned that the notes regarding strategic planning and the employment contract for the Executive Director had been removed from this year's letter.

Mr. Wesnofske asked Mr. Mattas what he thought about keeping #5, regarding ethic training seminars, on the letter. Ms. Podmajersky asked how this would be accomplished.

Ms. Corrigan and Mr. Chichester advised that an outside organization comes in and provides the training. There are Human Resource organizations that provide these types of trainings, which can be done collectively or in small groups after working hours. This requires paying overtime plus travel reimbursement, where necessary, to the attendees and costs approximately \$1,000 per hour to do so. Another way to accomplish the training would be to use computer based training.

Mr. Mattas asked if there was a procedure in place. Mr. Chichester responded that new employees read the ethics policy and sign-off on it upon hire.

Mr. Mattas suggested multiple trainings at once to save costs. Ms. Corrigan replied that doing so makes for a very long day as this is done after working 8 hours. Mr. Wesnofske suggested a mailing. Mr. Chichester advised that after each Board meeting Ms. Corrigan does a review of the meeting for the staff and that she could expand it to include other items. Mr. Mattas and Mr. Wesnofske agree that this is a good idea and that at this point the need is low.

Mr. Mattas asked about occasionally rotating staff at transfer stations during 1 week vacations in order to recognize any pattern changes that may occur.

Mr. Chichester pointed out that by contract, certain folks can be rotated, depending on the distance and job description. Also, if it is only a temporary change, you must reimburse travel expenses; when it is a permanent change you do not have to reimburse travel expenses.

Mr. Mattas asked what a typical amount would be for travel expenses. Mr. Chichester replied that it is usually about \$20.00 in travel cost each way per day. This equates to \$40 per day or \$200 per week.

Ms. Corrigan advised that #6, regarding formalized employee evaluations, is being negotiated with the Union and she is working on an evaluating the employees she supervises.

Ms. Podmajersky asked that #7 was about. Mr. Wesnofske responded that we are exposed to this from reviewing and discussing the GAT and other financial issues at Board meetings. Ms. Corrigan may ask the auditor to go into this in more depth at the April Board meeting as a part of the audit report.

Mr. Wesnofske and Mr. Mattas suggested that it would be a good idea to have a one hour refresher course from the Authority's general counsel at a regular meeting. It would be especially beneficial for new members who have only had minimum exposure to fiduciary responsibilities and find understanding it obscure and challenging.

Ms. Corrigan and Mr. Chichester advised the committee that the management letter's notes are suggestions of best practices only and that the committee can chose which items to pursue and which to drop.

Ms. Podmajersky remarked that she thought you could leave them off as there was already enough to do.

Ms. Corrigan asked if the draft of the letter received is acceptable as is. Mr. Wesnofske and Mr. Mattas responded that it is acceptable as a final draft.

Ms. Podmajersky asked why the *Use of GAT Proceeds* was mentioned in the letter. Mr. Chichester responded that it relates to the use of funds and the obligation of the Authority. Mr. Wesnofske explained that it is part of the Authority's revenue. Ms. Corrigan advised that we need to follow the indenture so we don't put ourselves in the position to lose good standing with the bond holders. Ms. Podmajersky remarked that she still doesn't think it should be mentioned in the letter.

Review of Rep Letter

Ms. Corrigan explained that this is a letter she and Mr. Chichester need to sign. The purpose of the letter states that they have revealed everything to the auditors and that all the numbers presented to them are correct to the best of their knowledge.

Financial Statements

Ms. Corrigan advised the committee that there were two changes from the originally distributed draft. The first was on page 13 #3, *Fair Value Measurement*; this footnote was shortened. The second was on page 13-14 #6, *Property and Equipment*; a statement was added identifying the limit on asset values based on reversionary clauses. She explained that she wasn't willing to sign that the book value of the transfer stations may not have been based on fair market value as it is on the books as construction costs minus depreciation. Mr. Chichester added that to put it in context, if you read the audit the perceived value is not reflected properly. The wording may need to be further adjusted to devaluate the value of the transfer stations as there is not a market for selling transfer stations. Ms. Corrigan stated that as long as the transfer stations are owned and operated by MOSA their value is greater; if they are no longer owned and operated by MOSA there value decreases.

Mr. Mattas asked under what situation this would become an issue. Mr. Chichester responded that if MOSA were asked to liquidate their assets, this would become an issue.

Ms. Podmajersky inquired what the "certain matter" was on page 24, 2nd paragraph. Ms. Corrigan advised that it was the GAT information.

Ms. Podmajersky asked about the statement on page 2 regarding “supplemental information”. Ms. Corrigan responded that she provided that information, not the auditors.

Ms. Podmajersky asked for clarification of the statement on page 4, 3rd paragraph in regard to what years they are referring. Ms. Corrigan advised that the decrease in deliveries was from 2007 to 2008 and that she would ask the Auditors to change the wording to make that clearer.

Mr. Mattas asked Mr. Chichester if he had contacted DEC about having a representative come and talk with the Board. Mr. Chichester advised that he had spoken to DEC and the Regional and Central offices were discussing the issue and deciding who they would send to speak to the Board.

Ms. Corrigan asked if with the one change in wording the report was acceptable to the committee.

Mr. Wesnofske, Mr. Mattas and Ms. Podmajersky all approved.

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Ms. Corrigan advised that this is a direct communication to the members of the Audit Committee to keep those charged with governance properly informed.

Accountants Certification

Ms. Corrigan advised that this is a requirement of the bond indenture.

Ms. Podmajersky remarked that Ms. Corrigan and her staff had done a good job. Ms. Corrigan thanked her.

Mr. Mattas asked if there was any issue with the second attorney’s opinion requested last June or July. Ms. Corrigan replied that there was not and that everything is final except the one change Ms. Podmajersky asked for on the statement.

Mr. Wesnofske asked if there were any other questions or further discussion regarding the financial report, as there were none, the committee moved on to other business.

5. Other Business

Mr. Wesnofske advised that the Audit Committee charter calls for an annual report from the committee to be included in the Authority’s Annual Report. Ms. Podmajersky volunteered to write the report.

Mr. Wesnofske brought forth discussion of a hotline for random reporting, which would involve:

- ✓ creating a written policy
- ✓ training
- ✓ setting up internal control mechanisms
- ✓ analysis
- ✓ operating by the policy
- ✓ setting up and pricing the services of a hotline

Mr. Wesnofske remarked that it had been recommended by the Auditors last year and asked the committee if they wanted to pursue this as a practice and recommend it to the Board for adoption.

Mr. Mattas thought it was not a high priority and that the easiest thing to do was to contact a Board member either anonymously or with full disclosure, as had been done in the past.

Mr. Chichester advised that if a hotline is created, the number would need to be circulated throughout all three counties so that the public could use it to report problems they see.

Mr. Wesnofske remarked that there have been a couple of instances in the past where employees were fired because of stealing or misuse of equipment that was reported to the Authority by other employees. Mr. Wesnofske went on to say that employees may not be comfortable reporting others and that it might be easier for them to do so anonymously.

Mr. Mattas remarked that this location is very clean and that no one would have reason to report it. He believes that if there was a serious issue to report, they would find a way to do so.

Ms. Corrigan inquired as to how you follow-up on a tip.

Mr. Chichester advised that someone internally has to investigate the matter as police agencies are not interested in getting involved in internal matters.

Mr. Mattas and Mr. Wesnofske concluded that this is a low priority.

6. Closing

Ms. Mattas made a motion to adjourn, Mr. Wesnofske seconded the motion.
The meeting adjourned at 4:28 p.m.

Respectfully submitted,

Judith Beeler,
Confidential Secretary