

## Minutes of the Audit Committee Meeting of the Syracuse Regional Airport Authority

Friday, January 22, 2021

Pursuant to notice duly given and posted, the Audit Committee meeting of the Syracuse Regional Airport Authority was called to order on Friday, January 22, 2021 at 10:00 a.m. via Teams Video/Audio conferencing by Ms. Gagliano.

**Note:** The Authorities Budget Office (ABO) has waived the in-person meeting requirement during this public health emergency. During this public health emergency, in the event board members are unable to meet in person, the Governor’s Executive Order 202.1 permits the board to consider the use of telephone conferencing, “to the extent necessary to permit any public body to meet and take such actions authorized by the law without permitting in public in-person access to meetings and authorizing such meetings to be held remotely by conference call or similar service, provided that the public has the ability to view or listen to such proceeding and that such meetings are recorded and later transcribed.”

### Members Present/Telephone Conference:

### Members Absent:

Ms. JoAnne Gagliano – Board Chair  
Ms. Latoya Allen  
Dr. Donna DeSiato – Committee Chair (joined at 10:05 a.m.)  
Mr. Michael Lazar  
Mr. Kenneth Kinsey  
Mr. Robert Simpson

### Also Present/Telephone Conference:

Mr. Jason Terreri  
Mr. John Carni  
Ms. Robin Watkins  
Ms. Cheryl Herzog  
Mr. John Clark  
Ms. Joanne Clancy

## **Roll Call**

As noted, all Committee members were present, except Committee Chair DeSiato who joined at 10:05 a.m.

Ms. Gagliano started by welcoming everyone to the Audit Committee meeting at 10:00 a.m.

## **Approval of Minutes from the Previous Meeting**

A motion was made by Mr. Simpson and seconded by Mr. Kinsey to accept the September 22, 2020 meeting minutes. The minutes were unanimously approved.

## **New Business**

### **RFP Discussion – Audit Firm Selection**

Ms. Gagliano turned the meeting over to Committee Chair DeSiato who joined the meeting. CFO Watkins explained that the Accounting Department had to tear down the financial system and rebuild. As this process was going on it was discovered that there were several irregularities in our internal controls and in our processes and procedures. An issue that was identified was the fact that the previous/current audit firm had not been able to identify the situation and communicate it effectively to the SRAA Board. There were also internal control issues and concerns on how they were recording information in compliance with both GAAP and GASB requirements. Discussions regarding these items were presented to the auditors during the year and the SRAA had to do some reformatting for the audit reports. Another issue involved the single audits for the PFC were not completed properly by the audit firm, this went back to 2009. Because of this, the Authority had to go through with the FAA and restate all the reporting to the point where the Authority reports with the FAA, did not correlate to the audit reports. The Authority had discussions with the FAA to determine how many years of reporting needed to be revised for the single audit report. Consequently, because of the irregularities that were found with the regular internal control audits and the financial statements as an organization, the Authority deemed it to be in the best interest to put out an RFP to obtain a different firm. This will provide us more credibility with the FAA, knowing that the Authority is doing our part and are aware of the issues.

Mr. Lazar inquired if we would allow the current audit firm to put in an RFP. CFO Watkins stated that they could put in an RFP, but their past performance would be taken into consideration. Other examples were discussed that were uncovered during the PFC audit including lack of verification of the costs associated with PFC funds spent. The audit firm used a schedule from the previous finance group and took that as its worth. The audit firm never traced back to the bank statements to confirm the costs came out of the PFC fund, instead what was reported to the FAA exceeded what was spent out of PFC funds. The Authority reported expenditures were more than \$30M beyond what was collected and spent out of those dollars. The airport narrowly avoided reinstating several years of audit reports.

CFO Watkins stated there are a variety of highly credible firms in the area that would have the experience needed. GAAP and GASB have a consistent set of rules that apply across all industries. If we choose a regional firm that has the skills, we can control costs, and will get the quality needed.

Mr. Simpson stated that unless there is a legal reason, we should not allow our previous firm to submit an RFP. It has been determined we no longer want their services, and it would be time wasted. Chair DeSiato asked if the city's audit was done correctly. CFO Watkins informed the Audit Committee from what she could see in their audit report, it looked like it was done accurately, from an internal and financial perspective. Mr. Simpson inquired if there are recommendations to the processes or procedures that can be put in place so that this will not happen again. CFO Watkins stated that this has already been done over the past year. There has been a lot of time spent reassessing internal controls within the SRAA Finance Department. There is now a segregation of duties which did not exist before, a monthly close process, and the financial statements undergo in-depth reviews including with the Finance Committee.

CFO Watkins informed the Audit Committee that reports can be printed off the FAA System and provided to the Audit Committee to see what is being submitted to the FAA and how it relates to the financial statements. Director Terreri spoke about forms 126 and 127 which are the first things that are checked at as you come into an airport. The FAA used these forms to allocate the CARES Act funding and if they were not corrected the airport could have missed out on receiving these funds. It is imperative that these forms are done correctly.

Ms. Gagliano discussed the audits and the random sampling that auditors do, they do not look at every part. If there is not a good system in the recording process, then you are not able to produce the information accurately for them to look at. CFO Watkins stated that random sampling is a good statistical way if all the internal controls systems are working and are functional. CFO Watkins is confident that all the proper controls are now in place. New staff members have been hired and all have good financial backgrounds. The entire finance department has been revamped. The Authority is putting an RFP out for the bond refinancing, and any additional financial management services that are needed over the course of the next year. That municipal advisor is also going to be a second eyes and ears, and they will be looking at the statements as well.

Director Terreri suggested that a representative from this Audit Committee engage with the auditor in the beginning and meet with the auditor without management present. The auditor should present a report card on staff and what they are doing, they could take one or two items to test staff and make sure everything is being done properly. Mr. Simpson agreed that these are some tools that need to be added to the process.

CFO Watkins stated that the timeline for the RFP would be early February 2021, with the goal to get the responses back by early March. Interviews would be held in the month of March and have new firm ready to start the current year audit by April. The new firm would meet with the Authority in May and start the pre-audit process, get familiar with the airport, set up the internal control reviews, and gather data required for the June 30<sup>th</sup> audit. One criterion that will be requested in the RFP is to meet the 90-day audit submittal deadline with the City of Syracuse so that FAA requirements are met. The new firm will need to be able to perform the audit within the July-August timeframe. Mr. Simpson mentioned that this can be a busy time for auditors so we should be flexible with our time schedule.

## **Adjournment**

Having no other topics brought to the Audit Committee, a motion was made by Mr. Lazar and seconded by Mr. Simpson to adjourn the meeting.

The meeting was adjourned at 10:44 a.m.