

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

Tuesday, September 22, 2020

10:00 a.m. / SRAA Board Room and also via Conference Call/Teams Mtg.

Pursuant to notice duly given and posted, the Audit Committee meeting of the Syracuse Regional Airport Authority was called to order on Tuesday, September 22, 2020 at 10:04 a.m. in the Syracuse Regional Airport Authority Board Room located in the Syracuse Hancock International Airport by Audit Chair, Dr. Donna DeSiato.

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:

Ms. Jo Anne Gagliano – Board Chair
Ms. Latoya Allen
Dr. Donna DeSiato – Committee Chair
Mr. Michael Lazar
Mr. Kenneth Kinsey

Members Absent:

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
Mr. Chip Clark
Mr. Zach Woodard

Roll Call

As noted, all Committee members were present, other than Mr. Simpson.

Committee Chair DeSiato started by welcoming everyone to the Audit committee meeting at 10:04 a.m.

New Business

No Executive Session was held.

Review and approval of the minutes from previous meeting – February 28, 2019. Having no further discussion regarding the minutes, a motion was made by Mr. Lazar and seconded by Ms. Gagliano.

The minutes were adopted unanimously.

Review of Audit for Fiscal Year ending June 30, 2020

Executive Director Terreri noted his pleasure in being able to present the audit within the 90-day ABO requirements due to significant new processes and procedural changes within the Finance Dept. Director Terreri stated that he brought in consultants, Leibowitz-Horton, Aviation CPAs to find out why we could not meet this 90-day requirement. Leibowitz-Horton found some accounting procedural changes needed. SRAA brought in consultant, Steve Busch, then after a national search, in March 2020 brought in new CFO Robin Watkins, who took the lead to solve these issues not only as a new CFO, but also in the middle of a pandemic. There were a lot of fundamental issues uncovered by CFO Watkins during this transition.

CFO Watkins then led a discussion surrounding some of the issues uncovered and corrected during this past year which has allowed us to accelerate our Audit Committee date to today and for the first time, meet the 90-day ABO Audit requirement deadline. CFO Watkins noted that an intensive review of the finance department was done. The General ledger which is supposed to be the sole reporting system benchmark. The ledger was not set up properly nor utilized as needed, instead transactions were made outside of the system, a separate series of spread sheets were used which opened up opportunities for errors, and the inability to reconcile properly. There were no monthly reconciliations performed. Cash reconciliations were not performed on a monthly basis. The cash receipts were posted several weeks or months after received in the department. Accounts payable was unable to run aging reports because invoices were not entered into the system, they were held in a file. Revenues were not recorded accurately or in a timely fashion. Salaries and wages were recorded as one lump sum into one account. Single department reports could not be done based on department. Because of all of this, the airport was unable to monitor the revenues and expenses based on the airline agreements and therefore out of compliance. No adjustments were made until the following year. CFO Watkins noted that temporary contract employee Jason Mehl has been instrumental in reversing all of these errors, starting this new system from scratch and getting the department up to speed. During this process, things were uncovered such as stock certificates found, a cash account found that had not been recorded in the financial statements, \$1,800 in petty cash was found in various locations within the finance department and were then deposited into our accounts. Manual checks were prepared outside of the finance area in a separate checkbook. Accounts receivables were not managed, reviewed or aged, and dated back from 2001-2018 in total for a write-off of \$550,000. The ability for the SRAA to go back and collect these dollars was minimal. Reserve accounts have now been set up for AeroTerm and the Airport Inn. Misclassifications

were found on transactions in assets and revenues. CFO Watkins then handed the presentation off to Mr. Mehl who thanked everyone for their time. He reported to the committee that there was an overwhelming amount of work that needed to be completed. He discussed the cash-basis type of accrual system that had been going on with no month-end closures and how the entries made previously led to each month being left open until the end of the year. The new updated system put in place now allows for a 15 day month-end closure. Mr. Mehl thanked Robin for spearheading this initiative and allowing him to take the lead in uncovering past practices and implementing new processes to correct the previous lack of internal controls and segregation of duties compliance issues. Mr. Lazar inquired if there was any indication of past wrong-doing by anyone in the department or was it just poor controls? Mr. Mehl informed the committee that no wrong-doing was found. Dr. DeSiato suggested that perhaps the practices were simply brought over from the City of Syracuse to the Authority simply continued the systems, or the lack thereof. Dr. DeSiato and Mr Mehl agreed that new sets of eyes from between the new Executive Director, the new CFO and several consultants brought forth the information needed to correct these systems. Mr. Mehl shared his "SALY" anecdote – "Same As Last Year", as a common issue with organizations that he was able to unpeel the onion-layers to ask the "why" questions that get to the point of new best practices. Dr. DeSiato and CFO Watkins agreed that personnel were put into positions that they were not trained for. Now that the segregation of duties is in place, even with retirements and limited personnel, things will work better going forward. Dr. DeSiato stated and all agreed, that the previous finance department personnel were loyal, long-time hard workers here at the airport and simply needed tools and training to perform their jobs.

Mr. Chip Clark, from the D'Arcangelo firm, presented their audit findings, recommendations and reports to the Audit Committee. Mr. Clark stated that significant changes that were made this year and how that compares to the past. He said the SRAA has never been close to being able to comply with the ABO 90-day requirement, operate on an accrual basis and close at the end of each month, which is a best practice. Mr. Zac Woodard assisted Mr. Clark with the audit during this busy time. Mr. Clark presented the letters, documents and reports in their findings to the committee for discussion and review. Of note, the airline reconciliation statement was also done in a timely fashion for the first time this year and the now timely year-end closing procedures are in effect. The highest level of opinion has been given to the Authority in their opinion letter for this year's audit and that all GASBY requirements have been met. CFO Watkins had requested a comparative report showing 2019 and 2020 and some additional reports showing how things are allocated differently, such as some restricted cash was listed which did not need to be in a restricted status so is now listed in the unrestricted section. Another new practice is that only after 100% of a project completion will the assets be transferred over to the City instead of the previous practice of doing do at 90% completion. Mr. Clark noted again that for the SRAA to get the full information he needed in a timely fashion was a monumental task that he appreciated. He also noted that the SRAA employee count will become more even now that several unions have moved over to the Authority. Revenues are down due to the pandemic, by roughly \$2.6M. Mr. Lazar and Dr. DeSiato led a discussion regarding the future/projected liability payments for retirees required by GASBY which always shows a large liability amount that increases with the number of staff on payroll, now that the majority of staff are Authority employees instead of City of Syracuse employees.

He explained again that the status findings that the SRAA previously took 120 days to comply with audit requirements is noted again for 2019 but that notation will go away next year since the 90-day requirement will be met for the first time in 2020 and changes in financial practices will now allow that deadline to be met each year, however, a corrective action plan will still need to be filed. Mr. Clark opened the floor to various questions after his presentation.

A motion was made to recommend the Fiscal Year End 2020 Draft Audit of the Syracuse Regional Airport Authority be brought to the Special Meeting of the Board for approval. Having no further discussion regarding this topic, a motion was made by Mr. Lazar and seconded by Ms. Gagliano. The motion was unanimous.

Adjournment

Having no other topics brought to the board, a motion was made by Dr. DeSiato and seconded by Mr. Lazar to adjourn the meeting.

The meeting was adjourned at 11:55 a.m.

DRAFT