

MINUTES OF THE
REGULAR MEETING OF THE

JOINT AUDIT COMMITTEE MEETING
OF THE
BOARDS OF DIRECTORS OF

CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE
AND
CONNECTICUT TRANSMISSION MUNICIPAL ELECTRIC ENERGY COOPERATIVE

December 9, 2019

A Regular Meeting of the Joint Audit Committee of the Boards of Directors of Connecticut Municipal Electric Energy Cooperative (“CMEEC”) and Connecticut Transmission Municipal Electric Energy Cooperative (“CTMEEC”) was held on Monday, December 9, 2019 at the CMEEC offices located at 30 Stott Avenue, Norwich, CT at 10:00 a.m.

The meeting was legally noticed in compliance with Connecticut General Statutes and all proceedings and all actions hereafter recorded occurred during the publicly open portions of the meeting.

The following Committee Members participated:

Groton Utilities Municipal Ratepayer: Mark Oefinger
Jewett City Department of Public Utilities: Kenneth Sullivan
Norwich Public Utilities: Stewart Peil
East Norwalk, Third Taxing District: Kevin Barber

The following Non-voting Member Representatives participated:

Bozrah Light & Power: Scott Barber; Ralph Winslow
Norwich Public Utilities: Christopher LaRose; Robert Staley

The following CMEEC Staff participated:

Michael Lane, CMEEC CFO and Interim CEO
Robin Kipnis, Esquire, CMEEC General Counsel
Joanne Menard, CMEEC Controller
Leslie Williams, CMEEC Principal Billing and Rates Analyst

The following individuals also participated:

Jonathon Fink, Blum Shapiro
Matthew Coit, Blum Shapiro
David Silverstone, Esquire, Municipal Electric Consumer Advocate (via telephone)

Ms. Kipnis recorded.

Committee Chair Kevin Barber called the meeting to order at 10:10 a.m. He noted for the record that this meeting is being held at the CMEEC offices located at 30 Stott Avenue, Norwich, CT via telephone and in person. He asked that those participating by telephone and those sitting in the room identify themselves for the benefit of all to know who is present at today's meeting. Chair Barber confirmed a quorum was present.

Chair Barber entertained a motion to amend the agenda to add an Executive Session to receive Attorney-Client Privileged written communication relating to the Related Party Transaction Policy. He explained the basis for holding an Executive Session was pursuant to Connecticut General Statutes Section 1-210(b)(10).

Specific Action Items

A Public Comment Period

No comment was made.

B Approval of the Minutes of the May 13, 2019 Regular Meeting of the Joint Audit Committee

A motion was made by Committee Member Stewart Peil, seconded by Committee Member Mark Oefinger to approve the May 13, 2019 Regular Meeting of the Joint Audit Committee.

Motion passed unanimously.

C Annual Audit Planning

Mr. Lane introduced the subject-matter and stated that the preliminary audit work was commencing that day. He then introduced Jonathan Fink, Engagement Partner from BlumShapiro, who provided a handout to those in attendance outlining the audit approach for the upcoming financial statement audits of CMEEC and Transco. Mr. Fink proceeded to walk the participants through the handout pointing out that the scope of services being proposed was similar to last year's and mentioning that there would also be a standalone financial statement prepared for Transco for the year-ended December 31, 2019.

With respect to the Financial Statement audit objectives, Mr. Fink reiterated that they would be examining whether the financial statements are fairly presented and reminding the Committee they are not performing an internal control audit, although they will note if there have been key changes in internal control. He reminded the Committee that with respect to fraud detection and error, their audit, as with any audit, is based on a materiality threshold which is based on the size of the company.

Matt Coit, Manager from BlumShapiro, next walked the participants through some new GASB standards that would be applicable for 2019 as well as those coming into play for 2020. Discussion ensued as to the impact on CMEEC, if any.

Mr. Coit then recommended the audit contain a three-year comparative discussion and analysis as opposed to a two year which is the current practice. The Committee was in favor of moving to a three-year comparative discussion.

With respect to the audit approach, Mr. Coit noted that a new area of focus will be the accounting treatment of legal costs, recognizing that these are not part of normal operating expenses and will most likely be treated in the financial statements as a “special line item” as that is defined in GASB.

The discussion then turned to the chart outlining the business risk and audit focus areas. Mr. Coit walked the participants through the chart on p. 3-4 of the BlumShapiro handout. General discussion ensued.

Mr. Coit spent additional time discussing the need to focus on cyber risk and that in publicly-traded companies, audit of IT controls is required. General discussion ensued about whether at some point in the future CMEEC should undertake an integrated cyber and financial audit. Mr. Fink agreed that for CMEEC, the better approach is to undertake these types of audits as a one-off audit as opposed to including it in every annual financial statement audit.

Mr. Lane then briefed the participants on the proposed internal audit procedure that was suggested by the MECA. Each year the Audit Committee will select an area of focus for the internal control audit. CMEEC staff will prepare a list of possible subject areas for the internal control audit for the Audit Committee meeting in January. He also stated that the cost of this item was budgeted.

Mr. Coit continued to walk the participants through the handout and general discussion ensued.

D Engagement Letter

Chair Barber entertained a motion to authorize the CMEEC CFO to sign the Blum Shapiro Engagement Letter with the fee schedule as proposed and based on the planning discussion reviewed at this meeting.

A motion was made by Committee Member Oefinger, seconded by Committee Member Peil to authorize CMEEC CFO to sign the engagement letter with BlumShapiro with the fee schedule as proposed and based on the planning discussion reviewed at this meeting.

Motion passed unanimously.

E Review Status of Joint Audit Committee Work on Special Committee

With respect to the Special Committee recommendation #1 to re-examine the policy for approval of expenses by Officers, including appropriate visibility for the full Board of Directors, Mr. Lane reported that expense approval for CMEEC officers is currently

being reviewed in connection with the internal control review that is being performed by Whittlesey and Hadley. He stated that the recommendation of Whittlesey is that the Chairperson of the CMEEC Board approve the CEO's expenses and that these expenses get reported to the Audit Committee on a quarterly basis. He also stated that this recommendation was being considered in conjunction with the Special Committee recommendations that a policy be established by which Officers of CMEEC document /get approval for travel and expense exceptions to the established policy. Mr. Lane provided the Committee with some suggested language that will be incorporated into the policy. It was also suggested that exceptions to the policy get reported to the Audit Committee on a quarterly basis. Whittlesey will provide recommended language and he will bring that to the Audit Committee for review. The Committee also asked that Whittlesey and Hadley attend the next Audit Committee meeting.

F Executive Session

Chair Barber entertained a motion to enter Executive Session for the purpose of reviewing written guidance by CMEEC General Counsel on a potential related party transaction.

A motion was made by Committee Member Peil, seconded by Committee Member Oefinger to enter Executive Session for the purpose of reviewing written guidance by General Counsel on a potential related-party transaction.

Motion passed unanimously.

The Committee entered Executive Session at 12:00 p.m. with instruction to re-enter Public Session at the completion of the Executive Session discussion. Members of the Committee, as well as Mr. Barber, Mr. LaRose, Mr. Lane, Mr. Winslow and Ms. Kipnis remained.

The basis for entering Executive Session is pursuant to Connecticut General Statutes Section 1-120(b)(10).

The Committee re-entered Public Session at 12:25 p.m.

There being no further business to come before this Committee, Committee Chair Barber entertained a motion to adjourn.

A motion was made by Committee Member Oefinger, seconded by Committee Member Peil to adjourn the meeting.

Motion passed unanimously.

The meeting was adjourned at 12:35 p.m.