



OAK LODGE WATER SERVICES

Minutes

Board of Directors – Special Meeting and Executive Session 9:00 a.m.

October 25, 2019

Board of Directors - Members Present:

Susan Keil, President/Chair  
Kevin Williams, Secretary/Vice President  
Mark Knudson, Director  
Paul Gornick, Director  
Ginny Van Loo, Director,

Board of Directors - Members Absent:

None,

Oak Lodge Water Services Staff Present:

Sarah Jo Chaplen, General Manager  
Aleah Binkowski-Burk, Human Resources and Payroll Manager  
Kelly Stacey, Finance Director  
Todd Knapp, Field Operations Superintendent,

Visitors and Consultants Present:

Tommy Brooks, District Attorney, Cable Huston LLP  
Jeffrey Voreis, OLWS Staff  
Keith Simovic, Senior Manager, Moss Adams  
Julie Desimone, Partner, Moss Adams.

## **Special Meeting of the Board of Directors**

### **1. Call to Order and Flag Salute**

President Susan Keil called the meeting to order at 9:00 a.m. and led the pledge of allegiance.

### **2. Call for Public Comment**

There were no comments from the public. Ginny Van Loo was in attendance as a member of the public at the start of the meeting and was then sworn into the Board of Directors and joined the rest of the Board behind the dias.

### **3. Appointment of New Board Member**

President Keil stated it was time to appoint Ginny Van Loo to the Board of Directors, commenting on being glad she was able to fill the open slot. She directed Ginny Van Loo to rise and come forward for the oath of office.

**Director Knudson moved to appoint Ginny Van Loo to the Vacant position on the Board of Directors of Oak Lodge Water Services District. Vice President Williams seconded the motion.**

**Ayes: 4**

**Nays: None**

**Abstain: None**

**Motion carried: 4-0**

#### **4. Oath and Swearing in of New Board Member**

President Keil led the oath for Ginny Van Loo and swore her into her appointed office as a Director of Oak Lodge Water Services District. The Board congratulated Ginny and asked her to join them at the Board table. Human Resources and Payroll Manager Aleah Binkowski-Burk stated the Board paperwork for joining the Board and oath of office may to be completed and turned in at the end of the meeting.

#### **5. Financial Auditor Update**

General Manager Chaplen expressed her gratitude that the Board could make time for this meeting and presented the next order of business as an update from the financial auditors. She requested direction from the Board concerning the timeline for the audit.

She provided an overview of the meeting, which will start with Keith and the auditing team presenting their initial findings and then an executive session where District Attorney Tommy Brooks will provide some additional information. After the executive session the Board will be able to discuss and provide direction on next steps.

Finance Director Kelly Stacey turned over the meeting to the auditing team. Representing the current OLWS auditing firm Moss Adams is Senior Manager, Keith Simovic and on the phone was Julie Desimone, Partner at Moss Adams. Staff noted a problem with the phone, so that Julie and an additional staff were not on the line at the start. Keith continued by introducing the process of the audit, timeframe and when they will see results, recommendations and adjustments. There are times when the auditors want to present some particular piece of information to the Board and staff for feedback. As is typical in their role as auditor, they want to learn about the financial processes and controls for OLWS and provide feedback about government best practices and appropriate controls. They will share proposed recommendations for practices in multiple areas including payroll, inventory, revenue and billing, cash receipting, disbursements, financial reporting, and capital assets.

Moss Adams has discovered a lack of controls in the revenue and billing areas, the inventory processing areas, and capital assets. Management has been supportive of working together to learn more and to hold this meeting. The auditors could still provide a clean audit, but closer inspection and more testing is required. There have been some errors found, which is why they are presenting to bring the Board and public up to speed. There have been system errors including underbilling due to water meters being set up without correct multipliers, winter water averages not being applied, and system errors within billing including last year's rates still being applied within the new billing system in certain cases. The errors occur in both water and sewer bills and most errors are due to the billing software conversion. The Board asked if there was overbilling and audit staff replied they did not think so, but they needed to conduct more testing. Because there are errors in multiple areas, they are working out a plan for a more comprehensive audit and would like Board input for the work.

One way forward would be to look at bills that have been issued and the cash receipted based on those bills in comparison with the projected revenue. Another way forward would be to look more in depth at the underbilling and consider back billing.

The Board asked about what level of auditing would still have the opportunity to produce a clean audit. Audit staff responded regardless of the Board's direction; they will have a separate letter with recommendations for controlled efficiencies identified as part of the process. G.M. Chaplen stated through the Water Audit they will be looking more closely at any gaps in terms of the revenue side and are working out what level of data detail the water auditors and the finance auditors will need. The timeline for our financial audit has been extended through the end of January 2020, if needed. The financial auditors are focused on what data can they get from the water auditors Cavanaugh & Associates, P.A., to inform some of their work. By mid-December the water auditors (Cavanaugh & Associates, P.A.) will have a preliminary technical report on Phase I and part of Phase 2 of their audit. This will be available to the finance auditors, Moss Adams by December 20<sup>th</sup>, 2019. The technical report will show Cavanaugh's measurement of whether the source meter is accurately measuring the amount of water OLWS is receiving into the District and some analysis of the billing and residential meter issues that the finance auditor has been identifying. Cavanaugh is working out how much of their water audit is related to the finance side because that data will give the financial auditors additional information for what they want to focus on in their financial auditors' letter, which accompanies any audit. The second piece will be based on what auditors find with customers in terms of over- or underbilling.

G.M. Chaplen requested from the Board what their direction would be for customers that had not been billed accurately due to an OLWS error. If a customer was over- or underbilled would the Board want back billing to occur? The Board asked what percentage of accounts had been reviewed and audit staff responded about 200 revenue transactions out of multiple thousands. The Board asked whether the issue of multipliers was primarily for large metered accounts and staff responded yes. The Board stated in order to provide a sense of a policy direction they would need a sense of the average amount that was underbilled and audit staff responded there needs to be further investigation in order to discover the level of inaccuracy. Moss Adams can investigate cash receipts as compared with billing, but they need the first stage of the non-revenue water loss audit to occur before they generate final recommendations in their financial auditors' letter.

The Board requested to recess into executive session to discuss further.

#### **6. Recess to Executive Session**

President Keil recessed the regular public meeting and convened an Executive Session at 9:29 a.m. under ORS 192.660(2)(f) to consider information or records that are exempt by law from public inspection.

#### **7. Executive Session**

President Keil convened an Executive Session at 9:30 a.m.

The Board reviewed information and material provided by the District's attorney relating to the District's risks and liabilities associated with various options for collecting amounts that may be owed to the District.

The Board asked the District's attorney several questions regarding the information provided and engaged in general discussion about that information.

**8. Adjourned Executive Session**

The Chair closed the Executive Session at 10:54 a.m.

**9. Reopened Special Public Meeting**

The Chair reopened the Special Public Meeting at 10:54 a.m. The Board took the following action.

**Director Knudson moved to direct the General Manager to advise the auditor that the revenue and expenses for the fiscal year ending June 30, 2019 are as stated. Vice President Williams seconded the motion.**

**Ayes: 5**

**Nays: None**

**Abstain: None**

**10. Call for Public Comment**

There were no comments from the public.

**11. Business from the Board**

President Keil stated with Lynn Fisher's absence, they would need to fill the Treasurer's role. She requested Vice President Williams provide interim support for the Treasurer's role until January when officer elections occur. The rest of the Board agreed with this action and the following action was taken.

**Director Gornick moved to appoint Vice President Kevin Williams as the interim Treasurer for the Oak Lodge Water Services District Board of Directors for the remaining months of 2019. Director Van Loo seconded the motion.**

**Ayes: 5**

**Nays: None**

**Abstain: None**

G.M. Chaplen will bring the Board liaison list to the Board for reassignments at the next Board meeting. There was no further Board business.

**12. Adjourn Special Board Meeting**

President Keil adjourned the regular Board meeting at 10:58 a.m.

Respectfully submitted,



Susan Keil  
President, Board of Directors

Date: 12-3-19



Kevin Williams  
Secretary, Board of Directors

Date: 12-03-19