

SUMMARY MINUTES
RISK MANAGEMENT COMMITTEE
MEETING OF JUNE 19, 2019

Mr. Uncapher chaired the June 19 Risk Management Committee Meeting, calling it to order at 10:58 a.m. A quorum was present during the Meeting: Mr. Dwoskin, Mr. Lazaro, Mr. Speck, Mr. Sudow, Mr. Tejada, and Mr. Session (ex officio). Mr. Adams, Ms. Batty, Ms. Hanley, Mr. Mims, and Mr. Pozen were also present.

External Auditor Report: Schedule of Expenditures of Federal Awards, Passenger Facility Charges, and Agreed-Upon Procedures – Airport Use Agreement and Premises Lease. Alan Davis, Vice President for Audit, was joined by Chris Gardiner (President) and John Mensah of GKA, P.C (GKA). Mr. Gardiner reported that GKA was engaged to audit the Schedule of Expenditures of Federal Awards (SEFA) – Uniform Guidance Audit (Formerly the Office of Management and Budget (OMB) Circular A-133 Audit), Passenger Facility Charges (PFCs), and Agreed-Upon Procedures – Airport Use Agreement and Premises Lease. He stated that he had nothing negative to report. Mr. Gardiner thanked Mr. Davis and his team for their cooperation and the manner in which audit was conducted, noting that this represented GKA’s fourth year in conducting the external audit for the Metropolitan Washington Airports Authority (Airports Authority).

Mr. Gardiner stated that the following four deliverables of the Independent Auditor’s Report were delivered on May 17, 2019: schedules, compliance over the programs, internal control over compliance, and the report on the agreed-upon procedures. He reviewed the methodology used: auditing standards generally accepted in the United States; standards applicable to financial audits contained in Government Auditing Standards issued by the U.S. Government Accountability Office; OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; [PFC Audit Guide for public agencies, issued by the Federal Aviation Administration]; and attestation standards established by the American Institute of Certified Public Accountants. As required by the Uniform Guidance on the Schedule of Expenditures of Federal Awards and Compliance for each major federal program and internal controls over compliance, GKA issued an unmodified or clean opinion for all programs audited, including: Airport Improvement Program (AIP), Transportation Infrastructure Finance and Innovation Act (TIFIA) Credit Program, and

National Explosives Detection Canine Team Program. The firm reported on compliance and internal controls over compliance required by the Uniform Guidance. Mr. Gardiner reported that GKA issued an unmodified or clean opinion for each major program. Additionally, there were no material deficiencies in internal controls over compliance, and GKA issued an unmodified opinion on the Schedule of Expenditures of the PFC Program. Mr. Gardiner reported that GKA issued compliance with PFC Program requirements and issued a report on internal controls over compliance for the PFC Program. With regard to the Schedule of Expenditures for the PFC Program, GKA issued an unmodified or clean opinion, and the report on compliance and internal controls required by the PFC Program was unmodified. Mr. Gardiner reported that there were no material deficiencies in internal control over compliance. GKA performed specific agreed-upon procedures on the Airports Authority's Settlement Schedules, as required by the Airport Use and Lease Agreements. He also reported that the Agreed-Upon Procedures Report is in the form of Procedures and Findings, and Mr. Gardiner stated that no exceptions were found as a result of applying the procedures. With regard to respected required communications, GKA issued an unmodified opinion for all reports and programs. It issued reports on compliance and internal controls over compliance. Mr. Gardiner stated that no incident of fraud was reported. He noted that an understanding of the internal controls structure was done in conjunction with the audit. There were no illegal acts noted. With regard to significant accounting policies, Mr. Gardiner referenced note 2 in the Audit Report. He stated that there were no significant audit adjustments or uncorrected misstatements. Mr. Gardiner reported that GKA compared audited schedules to the Comprehensive Annual Financial Report, and there were no exceptions in making those comparisons. GKA did not have any significant consultations with other auditors. Mr. Gardiner reported that all discussions prior to GKA's retention occurred within the normal course of professional communication, and no difficulties in performing the audit were noted. With regard to written communication from management, GKA received legal and management representation letters with respect to the audit. Mr. Gardiner stated that GKA is independent with respect to the Airports Authority's engagement. He referenced note 5 in the SEFA Report for information on subsequent events that occurred. With respect to quality control, Mr. Gardiner reported that GKA is undergoing an independent review with AICPA, and noted that the last peer review occurred in 2017. Since 1993, GKA has never had an adverse opinion or negative comments from any of its clients.

Mr. Uncapher thanked Mr. Gardiner and stated that the Airports Authority appreciated his firm's professionalism.

External Auditor Report: Audits of Airports Authority's Retirement Plans.

Mr. Davis reported that he was joined by Graylin Smith (Engagement Partner) and Tiana Wynn of SB & Company, LLC. Mr. Smith stated that he would review the results of the audits of the Airports Authority's retirement plans for general employees, police and firefighters. He also stated that SB & Company, LLC reviewed the financial statements prepared by management. Mr. Smith advised that SB & Company, LLC is available for year-round consultation. He reported that SB & Company, LLC issued an unmodified or clean opinion on the financial statements. Mr. Smith also reported that SB & Company, LLC issued an unmodified or clean opinion related to internal controls over financial reporting, as required by government auditing standards. Additionally, no material weaknesses or instances of fraud were identified nor was SB & Company, LLC made aware of any instances of fraud. Mr. Smith reported that SB & Company, LLC received management's full cooperation so that it could complete the audit process as planned without difficulty.

Mr. Smith reported that there are several required communications included as part of the audit process. He stated that while an unmodified or clean opinion had been issued, the required communications are used to give an indication if there were any difficulties in completing the audit process. Mr. Smith reported that SB & Company, LLC had nothing of a negative nature to communicate. He advised that the financial statements are the representation of management. By issuing an unmodified or clean opinion, Mr. Smith stated that SB & Company, LLC concluded that the representations by management are properly stated with sound accounting policies and procedures and are not overly aggressive or conservative. He further stated that the financial statements are reasonable with no audit adjustments required. Mr. Smith reported that SB & Company had no disagreements with management, and it was able to complete the audit as planned and issue it on time.

At 11:09 a.m., Mr. Uncapher stated that the day's public meetings had ended. He reported that the Committee would meet in executive session to further discuss the two audits, pursuant to Article IX, Section 3(g) of the Airports Authority Bylaws which permits the Board and its Committees to move into executive session for matters that the

professional standards applicable to financial statement auditors, when conducting a financial statement audit, require to be discussed in executive session, and for matters that involve proprietary or confidential information of vendors or of the Airports Authority, as well as Article IX, Section 3(c) of the Airports Authority Bylaws which permits the Board and its Committees to move into executive session to discuss existing or prospective contracts, business or legal relationships in order to protect proprietary or confidential information of the Airports Authority, any person or company; the financial interest of the Airports Authority; or the negotiating position of the Airports Authority.

The executive session ended at 1:12 p.m., and the meeting was thereupon adjourned.