

JEA FINANCE & AUDIT COMMITTEE MINUTES
August 8, 2016

The Finance & Audit Committee of JEA met on Monday, August 8, 2016, in the 8th Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

Agenda Item I – Opening Considerations

- A. Call to Order – Committee Chair Flanagan called the meeting to order at 8:00 AM with Member Husein Cumber in attendance. Board Chair Tom Petway attended telephonically. Board Vice Chair Ed Burr was in attendance telephonically until arriving at 8:10 AM. Others in attendance were Paul McElroy, Melissa Dykes, Mike Brost, Brian Roche, Ted Hobson, Angie Hiers, Steve Tuten, Janice Nelson, Joe Orfano, Judi Spann, Steve McInall, Walette Stanford, Ryan Wannemacher, Jane Upton, Garry Baker, John McCarthy, Lee Montanez, and Frank DiBenedetto. Jody Brooks, Office of General Counsel, Mike Pattillo, Chris Edmunds, and John DiSanto, Ernst & Young, were also in attendance. Robert Campbell, Council Auditors Office, was not in attendance.

Due to a lack of quorum physically present, agenda items were received for information only and deferred until a quorum was physically present at 8:10 AM; however, the minutes reflect the original order of the agenda.

- B. Adoption of Agenda – The agenda was adopted on **motion** by Mr. Cumber and second by Mr. Burr.
- C. Approval of Minutes – The May 9, 2016 minutes were unanimously approved on **motion** by Mr. Burr and second by Mr. Cumber.

Agenda Item II – New Business

- A. Approval of Annual Internal Audit Plan – Steve Tuten, Director, Audit Services, introduced Lee Montanez, Manager, Audit Services. Mr. Montanez provided an overview of the FY2017 annual Internal Audit Plan, as required by the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (Standards). On **motion** by Mr. Cumber and second by Mr. Burr, the Committee unanimously recommends the Board approve the annual Internal Audit Plan for FY2017.

Mr. Burr entered the meeting at 8:10 AM.

- B. Adoption of Changes to the Finance & Audit Committee Operating Policy – On **motion** by Mr. Cumber and second by Mr. Burr, the Committee unanimously recommends that the Board adopt the revised Finance and Audit Committee Operating Policy to reflect the revision to add the word "investigations" on page two to clarify the specific information reported.
- C. Annual Approval of Audit Services Charter – Steve Tuten, Director, Audit Services, presented the Audit Services Charter as required by the Institute of Internal Auditors (IIA). Mr. Tuten stated the purpose of the Audit Services Charter has been revised to align with language found in subsequent paragraphs. On **motion** by Mr. Burr and second by Mr. Cumber, the

Committee unanimously recommends the Board approve the revised Audit Services Charter.

- D. Audit Services – Quarterly ERM/Audit Update – Steve Tuten, Director, Audit Services, provided the Committee with key FY2016 Audit Services highlights, FY2016 Internal Audit Plan timeline, and the Ethics Hotline Report. Mr. Tuten introduced Frank DiBenedetto, Manager Enterprise Risk Management. Mr. DiBenedetto provided the Committee with the Enterprise Risk Management (ERM) Trend Report and key FY2016 ERM highlights. This presentation was received for information.

Mike Pattillo, Ernst & Young, entered the meeting at 8:15 AM.

- E. Coordinated Dispatch Agreement and Pricing Policy Revisions – Ryan Wannemacher, Director, Financial Planning & Analysis, presented on March 25, 2016, JEA entered into a coordinated dispatch agreement with Gainesville Regional Utilities (GRU) with the intent to optimize asset utilization of both utilities, and to pass on the savings to customers. Mr. Wannemacher stated this agreement has produced \$78,631 in savings to JEA year-to-date, and expects this to produce approximately \$6.5 million in savings annually. Mr. Wannemacher introduced Garry Baker, Director, Electric Systems Operations, who was instrumental in the development and implementation of the agreement, as well as the day-to-day execution and settlement of funds. On **motion** by Mr. Burr and second by Mr. Cumber, the Finance and Audit Committee recommends the full Board approve the proposed revisions to the Pricing Policy, including an addition that states “Gains realized from coordinated dispatch agreements will be allocated to base revenue, unless otherwise directed by the Board”, as well as administrative edits.
- F. Ethics Officer Quarterly Report – Walette Stanford, Ethics Officer and Director, Workforce Strategies, presented the Ethics Officer Quarterly Report, which was received for information.
- G. External Auditors
1. Schedule of Expenditures of Federal Awards – Mike Pattillo, Coordinating Partner, Ernst & Young, LLP (E&Y), introduced John DiSanto, Executive Director, and Chris Edmunds, Senior Manager. Mr. DiSanto reviewed the Schedule of Expenditures of Federal Awards, which was received for information. The audit found no control deficiencies and was submitted by the deadline.
 2. Ernst & Young FY2016 Annual Financial Audit Plan was reviewed by Mike Pattillo, John DiSanto, and Chris Edmunds, Ernst and Young. On **motion** by Mr. Burr and second by Mr. Cumber, the Committee recommends the full Board approve the FY2016 Annual Financial Audit Plan.
- H. Treasury
1. Electric System and Water and Sewer System Reserve Fund Quarterly Report – Joe Orfano, Treasurer, reviewed the Electric System and Water and Sewer System Reserve Fund Quarterly Report, which was received for information.
 2. JEA Investment Policy Revisions – Joe Orfano, Treasurer, presented staff is recommending revisions to the Investment Policy which include a revision to the lists of Authorized Investments for the Electric System and the District Energy System to ensure the language in the Investment Policy is consistent with updates to the Florida Statutes. In addition, the Policy will include new language to formally state that the authority to approve, amend or revise the Policy rests with the JEA Board.

Additionally, U.S. dollar-denominated commercial paper issued by the Canadian government or Canadian provinces would be included as eligible commercial paper investments. At the request of Mr. Cumber, staff will revise section 7.0 – Portfolio Composition to include a denomination qualifier for commercial paper investments issued by Fortune 500 companies with significant operations in the U.S. On **motion** by Mr. Cumber and second by Mr. Burr, the Finance and Audit Committee recommends the full Board approve the revised Investment Policy as amended.

- I. JEA Energy Market Risk Management Policy Report – Steve McInall, Director, Electric Production Resource Planning, reviewed the Energy Market Risk Management Policy Report, which was received for information. Committee Chair Flanagan requested staff to revise the presentation material prior to the next Committee meeting.
- J. Update on Procurement for External Auditor – Janice Nelson, Controller, presented at its meeting on January 19, 2016, the Board approved a one-year extension of the contract with Ernst & Young (E&Y) for the period from July 1, 2016 through June 30, 2017. As part of the recommendation for approval of the contract extension, the Finance and Audit Committee stated that staff will evaluate and issue a Request for Proposal (RFP) for independent audit services the next fiscal year. At its meeting on May 17, 2016, the Board approved the recommendation of the Finance and Audit Committee for staff to prepare an RFP, evaluation matrix and timeline for its review and approval at the next scheduled committee meeting on August 8, 2016. Staff intends to use the Invitation to Negotiate solicitation process for the procurement. Committee Members held discussions regarding the continued process. On **motion** by Mr. Burr and second by Mr. Cumber, the Committee recommends the Board approve the Invitation to Negotiate document and timeline, revising the selection criteria calculation as follows: Quotation of Rates – 10%, Professional Staff Experience – 30%, Past Performance/Company Experience – 30%, and Design Approach and Workplan – 30%. The Committee additionally recommended to review and approve the Short List on or before November 1, 2016.

Due to business commitments, Mr. Burr left the meeting at 9:54 AM.

K. Announcements

1. A special Finance & Audit Committee Meeting will take place tentatively in September/October 2016.
2. The next Finance and Audit Committee meeting is tentatively scheduled in December 2016 at 8:00 AM.

L. Committee Discussion Sessions

1. Director, Audit Services – Committee Discussion Session was not conducted.
2. Ernst & Young – Committee Discussion Session was not conducted.
3. Council Auditor's Office – Mr. Campbell was not in attendance.

Closing Considerations

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 9:57 AM.

APPROVED BY:

Kelly Flanagan, Committee Chair
Date: _____

Submitted by:

Melissa Charleroy
Executive Assistant