

South Central Connecticut Regional Water Authority
Via Remote Access**

AGENDA

Regular Meeting of Thursday, May 26, 2022 at 12:30 p.m.

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- A. Safety Moment
 - B. Meet as Audit-Risk Committee: C. LaMarr
 - 1. Approve Minutes – February 24, 2022 meeting
 - 2. Risk Management Update: D. Verdisco and A. Schenkle
 - 3. 2023 Committee Work Plan
 - C. Meet as Environmental, Health & Safety Committee: K. Curseaden
 - 1. Approve Minutes – March 31, 2022 meeting
 - 2. New Streamflow Standards: W. Henley
 - 3. Health & Safety Initiatives Update: D. Verdisco and A. Schenkle
 - 4. Environmental Compliance Update: D. Verdisco and A. Schenkle
 - D. Act on matters arising from Committee meetings
 - E. Consent Agenda
 - 1. Approve Minutes – April 28, 2022
 - 2. Capital Budget Authorization - June 2022
 - 3. Capital Budget Transfer Notifications (no action required) – June 2022
 - 4. Consider and act on exemptions from public bid for FY 2023
 - 5. Monthly Financial Report –April 2022
 - 6. Accounts Receivable Update – April 2022
 - 7. Derby Tank Update
 - F. Finance: R. Kowalski
 - 1. Consider and act on resolution authorizing interim funding obligations and project loan obligations for the West River Water Treatment Plant Improvements
 - G. Updates: L. Bingaman
 - 1. COVID Update: D. Verdisco
 - 2. Monthly Board Letter Highlights: L. Bingaman
 - H. Reports on RPB Committee Meetings
 - I. *RPB Project Application – Application for Approval to the Representative Policy Board for a Project to Implement a Comprehensive Customer Information System Solution: D. Bochan
 - 1. Presentation and discussion regarding Application – Including Executive Session
 - 2. Consider and act on Application approval for submission to Representative Policy Board (RPB)
 - 3. Affidavit of Mr. Singh regarding confidential information within said Application
 - 4. Motion for Protective Order for confidential information within said Application
 - 5. Protective Order concerning confidential information within said Application for submission to the RPB

[RECESS AUTHORITY MEETING TO ATTEND RPB MEETING]

- J. Approve FY 2023 Budget and authorize filing with Trustee

**RPB Member (J. Jaser) will be excused at item I*

****** Members of the public may attend the meeting via remote access. For information on attending the meeting and to view meeting documents, please visit <https://tinyurl.com/3mp2h37x>. For questions, contact the board office at jslubowski@rwater.com or call 203-401-2515.

South Central Connecticut Regional Water Authority
(Including Audit-Risk and Environmental, Health & Safety Committee Meetings)
Regular Meeting
Thursday, May 26, 2022 at 12:30 p.m.

Call in (*audio only*)

[+1 469-965-2517,,775517640#](tel:+14699652517775517640) United States, Dallas

Phone Conference ID: 775 517 640#

For questions contact the board office at 203-401-2515 or by email at jslubowski@rwater.com

Table of Contents

Table of Contents	1
02 24 2022 RWA Audit Minutes DRAFT	2
Risk Update	4
Audit-Risk FY 2023 Work Plan	21

**South Central Connecticut Regional Water Authority
Audit-Risk Committee**

Minutes of the February 24, 2022 Meeting

A regular meeting of the South Central Connecticut Regional Water Authority Audit-Risk Committee took place on Thursday, February 24, 2022, via remote access. Chairwoman LaMarr presided.

Present: Committee – Mss. LaMarr and Sack and Messrs. Borowy and Curseaden
Absent: Committee – Mr. DiSalvo
Management – Mss. Kowalski and Verdisco, and Messrs. Bingaman, Joseph, Lakshminarayanan, Schnaitmann, and Singh
Digital Executive Ltd. – Mr. Steinmetz
City of New Haven Emergency Management – Mr. Fontana
CliftonLarsonAllen – Messrs. Flint and Nossek
RPB –Mr. Havrda
Staff – Mrs. Slubowski

The Chair called the meeting to order at 12:31 p.m.

At 12:32 p.m., on motion made by Mr. Curseaden, seconded by Mr. Borowy, and unanimously carried, the Committee voted to go into executive session to discuss security matters. Present in executive session were Committee members, Mss. Kowalski, Slubowski, Verdisco and Messrs. Bingaman, Fontana, Lakshminarayanan, Schnaittman, Singh, Steinmetz.

Borowy	Aye
Curseaden	Aye
DiSalvo	Absent
LaMarr	Aye
Sack	Aye

At 12:58 p.m., Mr. Joseph entered the meeting.

At 1:16 p.m., the Committee came out of executive session and Messrs. Schnaitmann and Steinmetz withdrew from the meeting and Messrs. Flint, Havrda, and Nossek entered the meeting.

Messrs. Flint and Nossek of CliftonLarsonAllen (CLA), RWA's external auditor, reviewed the Authority's audit plan and process for FY 2022 and discussed the firm's scope of engagement and current and future accounting standards.

At 1:28 p.m., Messrs. Flint and Nossek withdrew from the meeting.

On motion made by Mr. Curseaden, seconded by Ms. Sack, and unanimously carried, the Committee approved the minutes of its meeting held on December 16, 2021.

Borowy	Aye
Curseaden	Aye
DiSalvo	Absent
LaMarr	Aye
Sack	Aye

At 1:29 p.m., on motion made by Mr. Borowy, seconded by Ms. Sack, and unanimously carried, the meeting adjourned.

Borowy	Aye
Curseaden	Aye

DiSalvo	Absent
LaMarr	Aye
Sack	Aye

Catherine LaMarr, Chairwoman

Regional Water Authority Board Audit Committee

Risk Update
May 26, 2022



Donna Verdisco
CHRO & Head of Corporate Services

Amanda Schenkle
Manager, Environmental Health, Safety & Risk

AGENDA

Overview of our Risk Strategy

FY2022 Strategic Goal Update

Top 10 Risks

Risk Commercial Update

Summary & Next steps

Overview of RWAs Risk Strategy

The Regional Water Authority has established a **Risk Committee** which strategically identifies risks impacting RWAs ability to deliver products and services to our customers and constituents.

Strategic Focus

Enhance RWA's enterprise risk management by reviewing and improving 50% of risk perspectives within the Risk Register with a focus on mitigating risk, improving redundancy and safeguarding resiliency

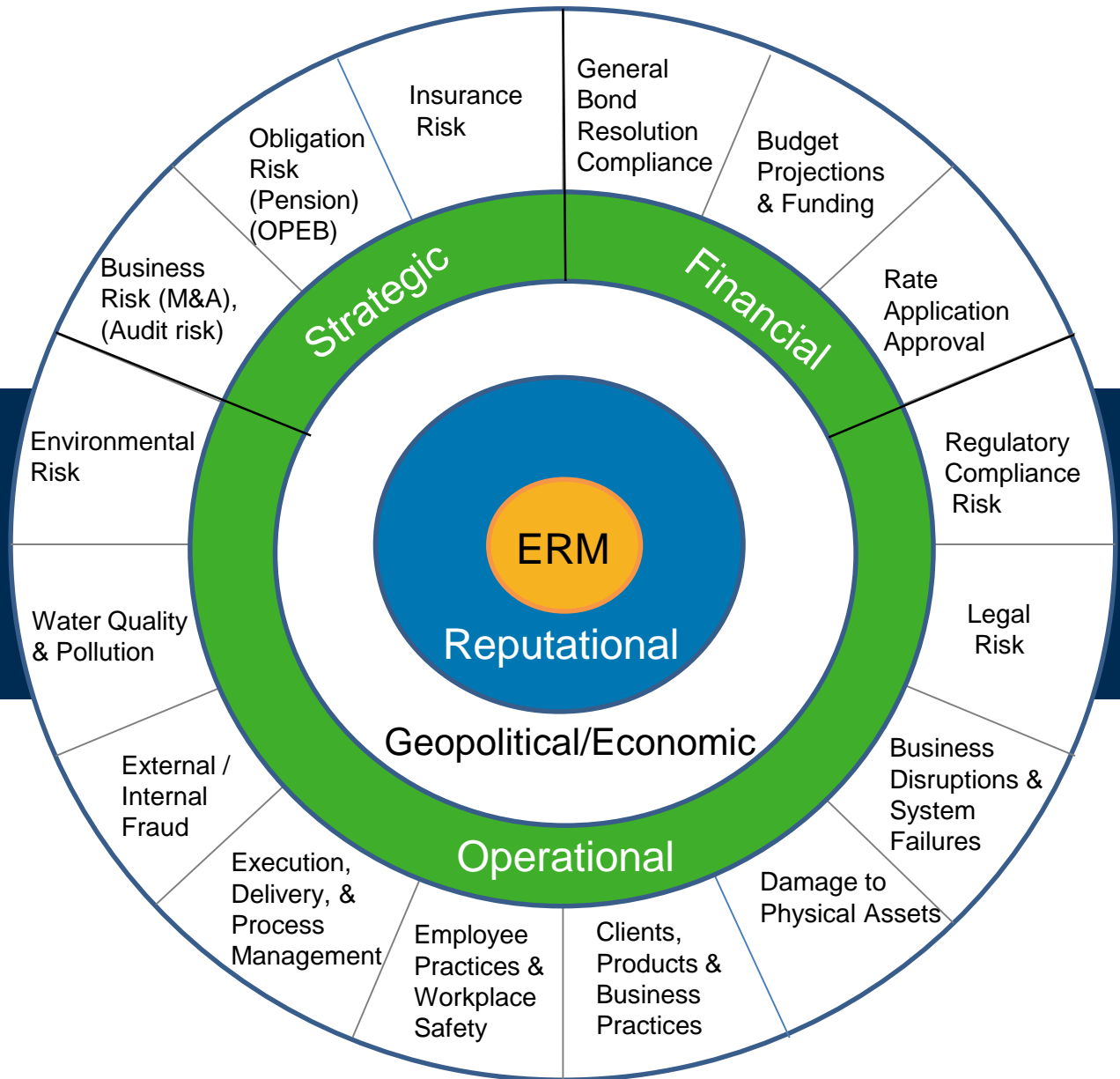
Team structure & rhythm

- Leadership Team Oversight: CHRO & VP Corporate Services (Risk & Compliance) & VP Finance
- Cross functional representation identifies risks and the mitigation of those risks
- Meets quarterly to discuss plans & tracks progress to address concerns

Methodology

- Risks are organized by each perspective: Customer/Constituents, Employee Learning & Growth, Financial and Internal Business
- Utilize the COSO Enterprise Risk Management (ERM) framework to rate each risk by gross, current and residual risk (impact & likelihood)
- Monitoring 47 risks regularly which are stored in the Risk Register:
 - Customer/Constituents: 8 risks
 - Employee Learning & Growth: 5 risks
 - Financial: 16 risks
 - Internal Business: 18 risks

ENTERPRISE RISK LANDSCAPE



RISK & COMPLIANCE MANAGEMENT

A standalone enabling function

Strategic Objectives

Aligning strategy and execution to stated risk appetites

Bring an objective and independent voice to the table

Drive basic risk values & norms

Improve risk mitigation execution

Near Term Tactical Objectives

Improve identification, assessment, control & acceptance of risk

Put out fires in Risk, Compliance, Safety, Security, BCP & EHS

Build risk control dashboards and early warning mechanisms

Improve risk mitigation tools, bolster internal controls

BUILDING A RISK CULTURE

BUILDING CREDIBILITY

HOW ARE WE DOING?

2022 Goals Update

Risk Strategic Goals

2025 Goal

Enhance RWA's enterprise risk management by reviewing and improving 50% of risk perspectives within the Risk Register with a focus on mitigating risk, improving redundancy and safeguarding resiliency.

FY22 Objectives

Reconstitute the **Risk Committee** and review top 10 enterprise risks and execute their associated mitigation and prevention plans.



Risk Assessments

- Total of 19 risk assessments conducted within the top 10 risks
- COSO Framework assessment guidelines were implemented in FY22
- Ranked by gross risk and current risk
- Overall risk profile impacted our rankings given COSO framework provides multiple layers of assessment vs previous rudimentary guidelines

#F08 – BUSINESS CONTINUITY (E.G. PANDEMIC, FIRE, FLOOD) Strategic Risk Evaluation	
Perspective: Financial Date: November 23, 2010 Revised: April 11, 2022	
Description of Risk	Loss of Business continuity (e.g. pandemic, fire, flood)
Potential Consequences	Inability to meet mission, vision, goals Inability to conduct core business processes
Owners	Primary: Environmental Health, Safety and Risk Manager, Amanda Schenkle Secondary: CHRO & VP Corp. Services, Donna Verdisco
Gross Risk: Impact <u>Rating 4.0</u> Likelihood <u>5</u> Risk Level <u>20</u>	
Existing Controls/Actions	Annual Status Date
Developed Comprehensive Plan <ul style="list-style-type: none"> Business Impact Analysis Risk Mitigation Plan Developed ICS Structure Recovery Time Objectives Action Plans & Procedures Annual refresher training 	<ul style="list-style-type: none"> June 2008; updated 2019 June 2008; updated 2019 June 2008; updated 2019 June 2008; updated 2019 June 2008; updated 2019 June 2008; updated 2019 Annual
Founding Member, CTWARN	2008 to present
Participate in Regional Exercises	2001-2017
Developed Incident Management Plan	2009; revised 2018; updated annually
IMP/BCP Rollout and Training	2012; refresher training as needed
Develop and Implement 5 Year BCP Roadmap	2015
Conduct test of current capabilities (Gaillard EOC)	2016
Develop RAMCAP Vulnerability Assessment	2016-17; 2020 AWIA
Conduct test of current capabilities (WR EOC)	2017
Update Training and Exercise Plan	Annual
Continue Routine Training and Exercise Program (including tabletop and functional exercises)	2018 and beyond

Top 10 Risks Update

Top 10 Risks	Risk Mitigation Activity	Change in Rank
Business Continuity Planning	<ul style="list-style-type: none"> RWA BCP department specific plans, Incident Management Plan, Water Supply Plan and Drought Contingency Plan updated in FY2022 	↑
Cyber Security	<ul style="list-style-type: none"> Cyber Assessment completed FY2022, penetration testing, Launched new user training, MFA Privileged accounts, planning BCP table top exercise on distribution system 	↓
Critical Component Failure resulting in Loss of Life, Property or Service	<ul style="list-style-type: none"> Critical Stock/Supply EPG, spare actuators at all WTPs, spare VFDs and spare PLC parts to reduce lead times on critical component parts, Whitney Dam project, new positions related to watershed and source water maintenance 	↔
Financial Risk	<ul style="list-style-type: none"> DWSRF agreement to modify verbiage, allowing us to participate in interim financing, Direct Funding (federal funding) Submissions, Structure of commercial transactions (e.g., asset purchase, earn-out, holdback), Reserves at or above requirement/target , Additional pension contribution made 	↓
Health and Safety of RWA Employee	<ul style="list-style-type: none"> Safety Starts with Me Training rolled out, updated Code of Safe Practices 	↓
Succession Planning and Recruitment	<ul style="list-style-type: none"> Developed framework for succession planning at the Leadership Team level with a focus on developing a mechanism to implement planning for critical positions, continued enhancements to the DE&I journey and creation of the TIDE council 	↑
Physical Security of RWA Property and Assets	<ul style="list-style-type: none"> Updated cameras at 2 critical facilities, vulnerability scans of camera and access control systems, additional access to SCADA at WTPs through RTU project 	↑
Failure to Manage Risks Causing Loss of Reputation	<ul style="list-style-type: none"> Utilizing regular outreach and relationship management to foster relationships with governmental partners 	↓
Loss of SCADA System	<ul style="list-style-type: none"> RTU Project, SCADA server upgrades at Gaillard WTP 	↑
Ineffective Supply Chain, Integrity of Procurement Materials	<ul style="list-style-type: none"> Centralized Procurement through improved forecasting and planning, participating in business transformation activities, engaging i 	

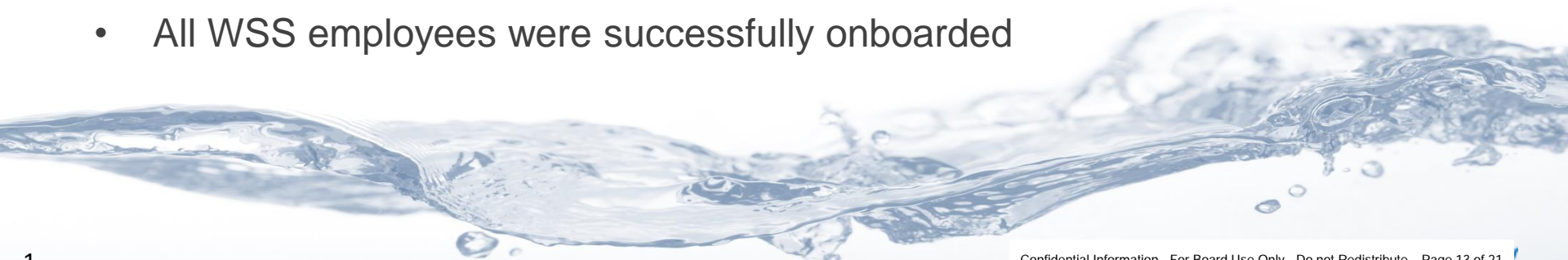
Risk Commercial Update

Insurance risk

- RWA was able to cover WSS (along with Roach Plumbing) by Churchill Casualty, LLC
- Through RWAs position as a member of the captive, we are able to cover all assets and claims at \$0 in premium due to exposures for the holding company falling below 10% of RWAs total exposure
- As RWA continues to acquire M&As, the insurance program will be reassessed for most strategic insurance placement

People risk

- All WSS employees were successfully onboarded



Summary & Next Steps

On track to deliver against strategic Goals and Objectives

Top Ten Risks remained consistent, with significant mitigation of gross risk

Continue momentum with **Risk Committee** to review the top 10 enterprise risks and execute their associated mitigation and prevention plans.

FY2023 plan: Introducing 5 new risk perspectives to Risk Register

- Insider Threat (Security and Cyber)
- Third Party Hosted Data Risk
- Lead and Copper Rule Compliance Risk
- Merger and Acquisition Risk
- Reservoir Water Quality Risk





Overview of our Top 10 Risks

1. Cyber Security



IO1 – If allowed to degrade or if damaged, the infrastructure for information technology (e.g., data center facilities, equipment, networks, mas storage) may be unable to support business processes

IO4 – System security is breached and unauthorized access is obtained

IO5/05a – Electronic data management and discovery – Insure compliance with guidelines, best practices and standards.

2. Financial



F01 – Failure to take corrective actions to achieve financial performance against strategic plans and budgets.

F03 – RPB rejects a rate application.

3. Critical Component Failure Resulting in Loss of Life, Property or Service



F04/04a – Critical component failure, e.g., dam, water treatment, pump station, or water tank, resulting in loss of life, property, or service.

F11 – Failure to supply water adequate to meet system requirements and failure to supply high quality water in compliance with regulations, resulting in lawsuits, fines, penalties or service loss.

4. Health and Safety of RWA Employees



E01 – Lack of awareness regarding health & safety among employees, leading to accidents and/or breaches of compliance in health and safety.

E04 – Workplace violence.

5. Succession Planning/Recruitment/Retention



E02 – Inability to attract and retain technically qualified employees.

E03 – Retirement or turnover of long-term employees resulting in loss of institutional knowledge and experience.

6. Failure to Manage Risks Causing Loss of Reputation



C01 – Failure to manage risks properly and provide service (consistent with the Authority's mission, vision , and values), casing loss of reputation with stakeholders.

C03 – Failure to successfully influence the political and /or regulatory process involving governmental and non-governmental local, regional, and federal entities, resulting in an unfavorable operating environment.

C04 – Failure to respond appropriately to the media or other stakeholders through positive pro-active communication.

7. Ineffective Supply Chain, Integrity of Procurement of Materials.



IO6 – Temporary inability to obtain critical and necessary materials to operate (pipe, meters, chemicals, fuel, etc.).

IO7 – Defective materials received from significant supplier.

8. Physical Security of RWA Property/Assets



IO3 – Sabotage of supply resulting in illness or death.

IO10 – Loss of Control Room Operations at 90 Sargent Drive.

9. Business Continuity Planning



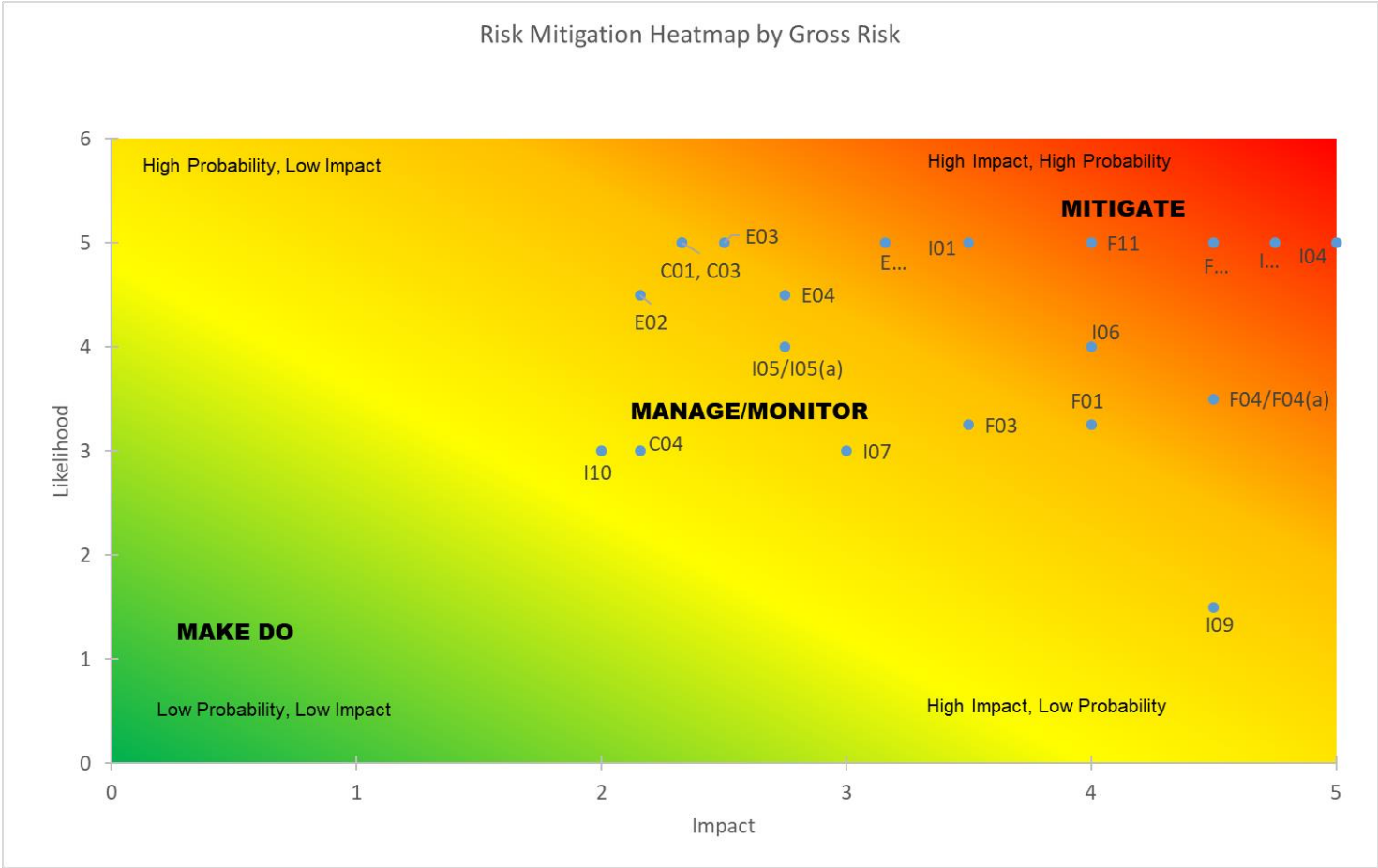
F08 – Inability to meet mission, vision, goals, inability to conduct core business processes.

10. Loss of Supervisory Control of Data Acquisition (SCADA) System

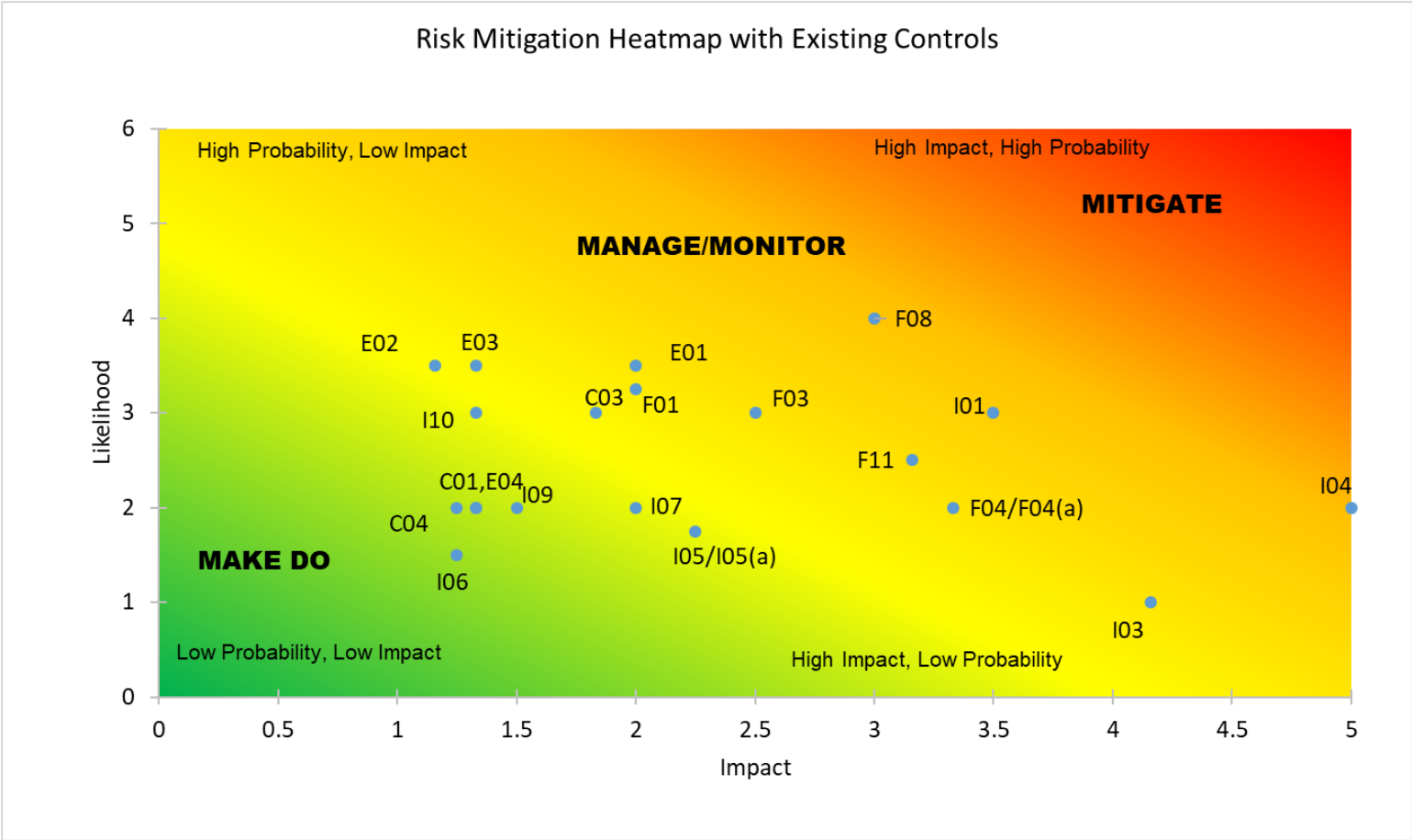


IO9 – Failure of the Authority's SCADA system, affecting the organization's ability to operate the distribution system,.

Appendix: Risk Heat Maps Gross Risk



Appendix: Risk Heat Map Current Risk



Appendix: Assessment Guidelines

Impact of Risks						
Scale	Legal	Financial	Operational (Potential Disruption)	Reputation (Image)	Health and Safety	Ability to Pursue Strategic Goals
1 Insignificant	In compliance	< \$1 million	< 1/2 day	No press exposure	No injuries	Little or no impact
2 Minor	Civil violation with little/no fines	\$1–\$5 million	< 1 day	Localized negative impact on reputation (such as a single large customer) but recoverable	First aid treatment	Minor impact
3 Serious	Significant civil fines/penalties	\$5–\$25 million	1 day–1 week	Negative media coverage in a specific U.S. region or a foreign country	Medical treatment	Major impact
4 Disastrous	Serious violation, criminal prosecution probable	\$25–\$100 million	1 week–1 month	Negative U.S. national or international media coverage (not front page)	Death or extensive injuries	Significant impact
5 Catastrophic	Significant violation, criminal conviction probable, loss of accreditation or licensure	> \$100 million	> 1 month	Sustained U.S. national (and international) negative media coverage (front page of business section)	Multiple deaths or several permanent disabilities	Loss of accreditation or license

Appendix: Assessment Guidelines

Likelihood of Occurrence		
Scale	Existing Controls	Frequency of Noncompliance
5 Almost Certain	<ul style="list-style-type: none"> No controls in place No policies or procedures, no responsible person(s) identified, no training, no management review 	Expected to occur in most circumstances More than once per year
4 Likely	<ul style="list-style-type: none"> Policies and procedures in place but neither mandated nor updated regularly Controls not tested or tested with unsatisfactory results Responsible person(s) identified Some formal and informal (on-the-job) training No management reviews 	Will probably occur At least once per year
3 Possible	<ul style="list-style-type: none"> Policies mandated, but not updated regularly Controls tested only occasionally, with mixed results Responsible person(s) identified Training is provided when needed Occasional management reviews are performed, but not documented 	Might occur at some time At least once in 5 years
2 Unlikely	<ul style="list-style-type: none"> Policies mandated and updated regularly Controls tested with mostly positive results Regular training provided to the identified responsible person(s), but not documented Regular management reviews are performed, but not documented 	Could occur at some time At least once in 10 years
1 Rare	<ul style="list-style-type: none"> Policies mandated and updated regularly Controls regularly tested with positive results Regular mandatory training is provided to the identified responsible person(s), and the training is documented Regular management reviews are performed and documented 	May occur only in exceptional circumstances Less than once in 10 years

Audit-Risk Committee

FY2023 Work Plan

The Audit-Risk Committee will review the financial reporting process, the system of internal control, the audit process, the Authority's process for monitoring compliance with laws and regulations, and with the code of conduct, and assess and manage the corporation's risks.

September 2022

- Review FY 2022 Audit Results (External Auditor)

February 2023

- Plan of Audit, FY 2023 (External Auditor)

December 2022

- Cyber/Technology Resiliency Update
- Controls/Risk Assessment ("Internal" Audit)

May 2023

- Risk Management Update
- Review Committee FY 2024 Work Plan