



Board of Trustees

Audit Committee

October 12, 2022

Minutes

Arno Maris Gallery, Room 201, Ely Campus Center

And via Zoom, in accordance with Massachusetts Gov. Charlie Baker's Executive Order Suspending Certain Provisions of the Open Meeting Law, G.L. c. 30A, § 20 dated March 12, 2020.

A live stream of the meeting for public viewing also took place on YouTube.

MEMBERS PRESENT: Committee Chair Theresa Jasmin, Vice Chair William Reichelt, Secretary Dr. Gloria Williams, and Trustee Lydia Martinez-Alvarez

TRUSTEE GUESTS PRESENT: Trustees Melissa Alvarado, Dr. Robert Martin, Chris Montemayor, and Ali Salehi

TRUSTEE GUESTS PARTICIPATING REMOTELY: Trustee Madeline Landrau

Also present and participating were Westfield State University President Dr. Linda Thompson, Administration and Finance Vice President Stephen Taksar and Associate Vice President Lisa Freeman, as well as Dave Dilulis and Ryan Sheehan from O'Connor and Drew.

The meeting was called to order at 1:15 PM by Committee Chair Jasmin. A roll call was taken of the committee members participating as listed above and it was announced that the meeting was being livestreamed and recorded.

MOTION made by Trustee Williams, seconded by Trustee Reichelt, to approve the minutes of the June 28, 2022, meeting. There being no discussion, **Motion passed unanimously.**

Motion – FY22 Audit Report. Committee Chair Jasmin welcomed Dave Dilulis and Ryan Sheehan of O'Connor and Drew, P.C. to the meeting. They shared the required communications and the audit report, highlighting the following.

- There was an unmodified opinion based on the annual audit and report on internal controls.
- All Higher Education Emergency Relief Fund (HEERF) related income from 2020 through 2022 has been recognized or spent based on Department of Education guidelines.
- The right of use (ROU) lease liabilities replaces the old MSCBA rent expenses regarding classification of the residential life facilities based on the new GASB regulations. They are "bookkeeping" issues, but the interest rate still needs to be applied. In the first year, the interest was more than principal. The cash flow does not change and has a negative impact on total net assets for the first year. Trustee Jasmin stated this helps to understand the long-term obligation of leases.

- The statement of net position showed an increase in overall net position of \$12 million.
- The footnote disclosures showed \$26 million received in CARES funding since inception. The University has recognized, spent, or allocated (to students) all the funds they were awarded.
- The overall summary of capital assets and long-term liabilities were shown.
- Lease liabilities showed the extensive list and payout over the life of the leases.
- Pension and OPEB notes were added.
- State appropriation increased this year.

There has been no feedback from the Internal Control questionnaire submitted to the state comptroller, which is required annually of all state entities. Trustee Martin asked what areas should be focused on for an internal audit if there were resources for one. The areas of payroll, cash receipts, HEERF receipts, and Massachusetts financial aid were suggested. There have been no single audit findings and no internal control findings. The IT systems penetration testing should continually be reviewed to assess cyber threats to our data and systems. Mr. Taksar stated that there is much work being done at the state level to support higher education cyber security. President Thompson stated there is also collaboration between state universities on this topic.

Mr. Taksar stated that recovery of funds, for OPEB and pension allocations from the state, comes from increasing the benefit rate charged by the state to the campus. There is already a mechanism in place to fund these costs via the benefit rate, yet they are still being pushed out to our financials to cover current and long-term liabilities. Pages 5 and 6 show the net position of the University without these liabilities to the financial statement which help us know where we truly stand. Ultimately, the campus is not liable for them, and they skew the value of the financial statements.

MOTION made by Trustee Williams, seconded by Trustee Reichelt, to accept the annual report for fiscal year ending June 30, 2022, as prepared by the university's Administration and Finance Division and to authorize the submission of this report to the State Comptroller's Office, the Massachusetts Department of Higher Education, and the State Auditor's Office, as required by the Massachusetts Department of Higher Education. This annual report includes the Westfield State University FY22 Financial Statements, audited by O'Connor & Drew, P.C. There being no discussion, **Motion passed unanimously.**

FY23 Internal Audit/Risk Management/Compliance. Mr. Taksar has connected with the Boston Consortium who have 10-to-12 core members of schools who have developed a robust internal audit function. The Consortium has five full-time staff that provide a variety of internal audit functions to the schools they serve. We would be the only public university using their services. They could provide an internal audit function once the committee identifies key topics and determines the scope of work and timing. Their services may also answer the broader question of ongoing support for the compliance function in the University, and they would need to get approval from their advisory board to work with a public institution. Committee Chair Jasmin stated these services would be important for efficiency, compliance, and effectiveness and would encourage ways to make the resources available to ensure a strong control environment and protect the University. Trustee Martin stated that identifying and mitigating risks is a top role of trustees, and it is important to take proactive steps through the Consortium, position sharing, or through creating our own position. Trustee Alvarado shared that we are looking for three distinct skill sets which are almost impossible to find in one person. Trustee Salehi encouraged Mr. Taksar to work with Trustees Jasmin and Alvarado due to their background and expertise to help guide the committee on what to do. Mr. Taksar will discuss the matter further with the Boston Consortium and provide background, alternatives, and a plan to move forward.

There being no other business, **MOTION** made by Trustee Reichelt, seconded by Trustee Martinez-Alvarez, to adjourn. There being no discussion, **Motion passed unanimously.**

Meeting adjourned at 2:02 PM.

Attachments presented at this meeting:

- a. Draft Minutes 6-28-22 (Draft)
- b. Motion – FY22 Audit Report
- c. FY22 Audit Report (Required Communication)
- d. FY22 Audit Report (Draft)