MEMBERS IN ATTENDANCE: Committee Chair Hagan, Secretary Martin, and Member Magovern. Both Vice Chair Sullivan and Member Slakey informed the Committee that she would be arriving late to the meeting. However, a quorum was present at the start of the meeting.

Trustee guests present: Trustees Trafford and Queenin.

Dr. Ramon S. Torrecilha, President of Westfield State University was also present.

Meeting called to order by Committee Chair Hagan at 1:07 PM.

Chair Hagan brought forward for approval the minutes of the June 16, 2016 meeting.

**MOTION** made by Trustee Martin and seconded by Chair Hagan to approve the minutes from the June 16, 2016 Audit Committee meeting. Chair Hagan asked if there was any discussion or questions. Hearing none, the Chair called for a vote. The vote was unanimous in favor of the approval of the minutes with Trustee Magovern abstaining because he was not present for the June 16, 2016 meeting having been appointed as trustee August 31, 2016.

Chair Hagan moved forward to the Items for Information as indicated on the agenda and recognized Olivia Bischoff, the Associate Director of Risk Management.

Ms. Bischoff began the presentation with the first item, Review of Whistleblower Policy (0440), noting that this policy requires annual review by the Audit Committee Chair and the Vice President of Administration and Finance. The last documented review of this policy was in April 2015. Ms. Bischoff requested that the Committee review policy 0440 and let her know if any changes are requested which can be addressed at the December meeting. If no changes are needed, the policy “review” date can be updated. Minor clerical changes such as typos may be corrected without Board approval per Board of Trustees Assistant Michelle Loubert.

Chair Hagan asked if anyone had any questions or comments.

The question was asked as to the experience with reporting over the last year.
Ms. Bischoff responded that she has dealt with one Whistleblower report. Her predecessor Diane LeBeau had four. Ms. Bischoff continued that the ones she has seen have all been verbal. She pointed out that there is an online form for anonymous reporting as well as a pdf form for mailing. Ms. Bischoff said that all of the five reports have been resolved. She noted that a copy of each report goes to Chair Hagan and the Vice President of Administration and Finance. The person filing the complaint is notified when the issue is resolved but that the person is not informed what the resolution is. People who wish to file a complaint should contact her or they can contact someone at the state level. She commented that people seem to prefer the handling of complaints internally.

Chair Hagan asked if there was any further discussion or questions. Hearing none, the agenda proceeded to the Sexual Harassment Training Update.

Ms. Bischoff introduced Larry Johnson, Director of Non-Discrimination and Compliance. Mr. Johnson gave an update on the Sexual Harassment training initiatives and how they relate to risk and risk management. He explained that there are three levels: statutory, quasi regulatory, and common law torts. He stated that the Violence Against Women Act (VAWA) amended the Clery Act. This amendment is now part of that report and includes programs and activities at an institution relating to incidents of sexual violence. The second level (quasi regulatory) addresses the trustees as a group known as “responsible employees.” These are the individuals students would view as some authority that would take action with regard to sexual misconduct. Responsible employees should be regularly trained—at least annually. This training apprises the trustees of their reporting responsibilities. Mr. Johnson further explained that the intent is to protect the campus community and that foreseeable risks must be mitigated; this training mitigates risk.

Mr. Johnson said that not everyone has completed the training and a follow up is currently in process. Everyone employed at WSU and all matriculated students are part of this training.

Audit Committee Vice Chair Sullivan entered the room at 1:15 PM.

As a method of encouraging completion of training, can a ‘registration block’ be used. Mr. Johnson said that this can be done but the first avenue of enforcement is a service fee of $50 that is applied at the end of October for people who have not complied. Thereafter, if they still haven’t complied, the spring course selection is impacted using the registration block.

A question arose as to insurance liability to which Mr. Johnson responded that the risk is with the Civil Rights Commission which can come in and threaten to remove funding if an institution isn’t in compliance. He stressed that by being in compliance, this reduces the risk of being investigated by the Office of Civil Rights.

Chair Hagan asked if there was any further discussion or questions. Hearing none, the Chair moved to the Perkins Loan Default Update by Vice President of Administration and Finance Stephen Taksar.

Mr. Taksar took the floor and gave a brief update on the Perkins loan program, a federal program available to students allowing the students the ability to secure other types of loans through the government; this is an affordable program and has been in place for many years. Mr. Taksar has discovered that our institution’s default rates are higher than what they should be; they are not at the
highest end of the scale but they are not at the lowest for state institutions. Our default rate is on the high end. He continued that it is important to manage the program below a threshold of 15 percent. If WSU is over this threshold, there could be implications by the government. Last year, Westfield State’s threshold was at 19 percent. Strategies are being implemented to manage accounts more effectively and to improve communication with students. At this point in time, the default rate is 5 to 6 percent and will be managed throughout the year. Mr. Taksar said that WSU is doing a good job on a majority of its loan programs, and there is no need to be overly concerned. However, it is important to know that his department is taking action in managing the loan programs.

Lisa Freeman, Associate Vice President of Administration & Finance, pointed out that the default rate that is being watched is of a cohort of students. With 240 days of non-payment, the loan then goes into the cohort calculation.

It was asked if the percentages are consistent with other state schools. Mr. Taksar responded that some schools are as high as 30 percent; some as low as 2 percent. There is a wide range of default rates. He continued that WSU averages around 17 to 18 percent.

It was asked for there are any procedures for default. Ms. Freeman responded that accounts are worked on and then put with collection agencies if necessary.

Meeting guest David Dilulis of O’Connor & Drew (Auditors) stated that there are a lot of schools that are terminating the Perkins loan program.

Trustee Slakey joined the meeting at 1:25 PM.

Chair Hagan asked if there was any further discussion or questions. Hearing none, the Chair moved to the Fixed Assets Inventory Progress Report, and Ms. Bischoff took the floor. She stated that as required by the university policy on Fixed Assets, Capitalization and Inventory Control, Mr. Scibelli, the Associate Director of Accounting, provided the Board with a progress report on the fixed assets inventory at the close of the fiscal year. This was presented at the Finance and Capital Assets committee meeting, September 27, 2016. She pointed out that Trustee Sullivan requested that this information also be shared with the Audit Committee. Mr. Scibelli was unable to attend today’s meeting; therefore, Ms. Bischoff presented, highlighting some key points.

- Westfield State University currently has over 4,700 capital assets and an additional 1,500 equipment items that are tracked by the inventory control office. The office is staffed by one full-time manager as well as one assistant for 9 weeks during the summer.
- Through the recovery effort and diligent work of the staff, inventory results have improved since last year and the recovery effort will continue this year.
- She explained that Mr. Scibelli and Mr. Rondinelli (Financial Accounting) attended the first ever fixed assets networking conference among the other state universities where they were able to share ideas and areas of strengths and weaknesses. Ms. Bischoff said that Scibelli and Rondinelli reported that while other institutions may have more staffing, they lacked the technology available here at WSU. Some institutions are still taking inventory using the paper and pencil method. She pointed out that WSU uses a custom software program that has been around for about a decade. In addition, most other schools use the same Banner system but use a separate system to track fixed assets; unfortunately, these two systems do not

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communicate. Whereas, our custom software program “synchronizes” with and houses the date in Banner.

- Exploring the best methods to educate Faculty and staff on proper policies and procedures.
- Ms. Bischoff pointed out that the spreadsheet presented at the Finance and Capital Assets Committee on September 27 has been expanded for today’s Audit Committee meeting with additional columns: asset type, system status code, invoice date, depreciation start date, capitalization date, acquisition date, organization code, department, location code, last name and first name.

Ms. Bischoff stated that if the Trustees would be interested in a tour of the university to view some of the assets on the list, Mr. Scibelli would be happy to set this up. A proactive approach is being taken, and more efficient methods of inventory control are being researched and reviewed.

Chair Hagan asked if there was any further discussion or questions.

President Torrecilha inquired as to the response to be sent to the state with regard to the audit report. Mr. Taksar responded that the response is currently being worked on; included in this response are the actions to be taken to correct any issues.

Regarding educating staff, Ms. Bischoff stated that discussions have begun to create both the in-person and online trainings. Reminder emails will be sent regarding policy and proper disposal procedures. There will be more efficient methods of asset reallocation such as an online form. There will also be “drop in” sessions for employees to bring off campus assets to.

Various inventory methods, such as designating one day in June to conduct an inventory by all employees, were discussed.

A question was asked as to the inventory of computers. Ms. Bischoff responded that the inventory shows the first and last name of the custodian of the assets. Some belong at certain locations. Some are noted as “off campus assets” like a laptop that goes home with an employee.

Chair Hagan asked if there was any further discussion or questions. Hearing none, the agenda moved forward to Items for Discussion, the State Audit Update.

Ms. Bischoff provided an update of the State Audit which began in March. Fieldwork ended in June and the auditors came back on August 2, 2016 for an exit interview. A draft report was received on September 14, 2016 and has been responded to by the university as to an action plan. She explained that during the exit interview, the auditors did note a few losses that were not reported in accordance with Chapter 647, but Bischoff believes this is not a material issue. A review of audit reports of other institutions reveals similar issues. Ms. Bischoff added that this supports the value of the conference that Mr. Scibelli and Mr. Rondinelli attended. Other than this, the majority of the Audit Report was covered through the meeting presentation regarding inventory control.

Trustee Martin stated that a plus is that there weren’t any issues with other controls such as expenditures.
Ms. Bischoff moved to the Internal Audit update noting that the objective of the audit was to determine the adequacy of internal controls over purchases and that procurement rules and regulation are complied with (Policy 0320). Also, a review of the Procurement Card (P-card) Use and Process policy #0560 compared with department use of the P-card. Ms. Bischoff stated that there were no significant procurement findings. She has recommended that the Procurement Department take physical control over a P-card or to shut off the P-card if there is a suspension of the P-card. An example, a sales tax was paid on meals. Per Bischoff, the university is exempt on this sales tax; however, in the past, paid this tax. She compared WSU policies with Commonwealth policies and made a recommendation to bring our policy into conformity with these best practices. Ms. Bischoff also stressed that cardholders cannot authorize others to use their P-cards. She said a report has been issued to the Procurement Department and management responses and a follow up will occur within two months.

Travel will be the subject of the next internal audit probably beginning next week. She has already begun preparation for this audit.

Chair Hagan asked if there was any further discussion or questions. Hearing none, the agenda moved to the FY16 Payment Card Industry (PCI) Assessment. Alan Blair, Chief Information Security Officer, presented. He explained that as was done in FY15 he and his team, along with all areas on campus that process credit cards, underwent a PCI audit for FY16; an audit had not been conducted in FY14. He stressed that this is an assessment, not an audit. The recommendation noted that there are areas to improve on and what can we do to improve. Mr. Blair did point out that there is a credit card scanner/skimmer issue. He stated that this is a very high end category and that if we collect credit card information, we need to do it properly and safely. He pointed out that last year was a bit of a challenge; that there are multiple requirements and sub-requirements. However, if you fail one sub-requirement, you fail all. He continued that most areas could be improved through procedures and that failures have been significantly reduced. He referred to #11 of the PCI Risk Assessment Report, a fail as to “regularly test security systems and processes.” Mr. Blair said that his team is currently working on a better way to do this and that they are “shooting to be compliant with standards this year. He also pointed to Dining Services and teaming up with that area to put anti-skimming training in place. Although raising standards is a good thing, it does place a burden on the people who need to ensure the standards. The good thing is that credit card information does not get stored in the WSU network; data will not be stolen through Westfield State University.

Training for Dining Services is currently going through a testing process; all will be trained by the end of this year to comply with the next audit which should happen in May or June 2017.

Chair Hagan asked if there were any further questions. Hearing none, the Chair moved forward to Items for Action, the first being the FY16 Audit Report by O’Connor and Drew (David Dilulis, present).

Mr. Dilulis took the floor and explained that the financial statements are due the state by October 15. The one negative is that one of the reports relies on the pension audit which is done by KPMG and that audit is not yet complete. Mr. Dilulis stated that a conversation occurred with the state controller and it was agreed that a draft report would be submitted on Tuesday, October 11 in order to meet the deadline then the final will be submitted later. No changes were anticipated.
Mr. Dilulis said there are two things to go over. First, the Required Communications. He said it is the responsibility of O’Connor and Drew to comply with government auditing standards. Extensive testing is done in order to issue reports regarding financial statements, internal control, and single audit. Mr. Dilulis commended the Westfield State University staff saying they “did a great job. Kudos to your staff to get us to this point with no findings.” He continued on, discussing investments of the University and how these investments are placed in “buckets” labeled 1, 2, up to level 3 (hedge funds). The Westfield State Portfolio is at Level 1.

Mr. Dilulis pointed out the significant accounting policies and transactions which included construction in progress (an increase of $27 million relating mainly to the new Science Center) and the termination of the dining services agreement with Sodexo which required a payment of $772,434. Pension Liability: the university’s allocation of the state’s unfunded pension liability at year end was approximately $30 million, a $14 million increase from the prior year. This is due to changes in the mortality tables and discount rate which had an impact on calculations.

Mr. Dilulis went on to refer to the Requirement Communication report which refers to any disagreements with management; there were none.

Mr. Dilulis then moved on to the report Finance Statements and Management’s Discussion and Analysis. He stated that there were no inconsistencies. He pointed out that this year, there is a two year comparison (last year, only one year was used). Mr. Dilulis stated that the audit is now back on a normal schedule. He pointed out that pages 53, 54, and 55 provided information as to the pension liability. He then referred to the Management Discussion Analysis or MDA. He explained that once numbers are finalized, the MDA is written. Pages 3 through 15 is that MDA.

Mr. Dilulis then further explained that the actual audit of the financial statements commences on page 16 of the report and that as of June 30, 2016, the university had approximately $170 million in total assets. Capital assets, approximately $92 million plus cash balances make up approximately 92 percent of the total assets. Mr. Dilulis continued his review of the financial statements noting that Westfield State University had a “very healthy year.”

Mr. Dilulis explained that of particular importance are the new GASB pronouncements as noted on page 25 and page 27 of the report. He explained that this is the “sister pronouncement” with regard to pension, the post-employment health benefits. He said that this could be another huge liability coming down the road for FY18.

Mr. Dilulis continued, noting the “footnote disclosures” such as on page 28, Cash and Equivalents, custodial risks that are not insured and page 29, Cash held by the State Treasurer. On page 30, Investments are noted and Dilulis stated that the investments are very safe and that the Foundation’s largest asset is their investment portfolio. Page 31 refers to Accounts Receivable, and Mr. Dilulis noted that receivables went down this year (he referred to the Perkins loan discussion). He continued his review of these footnotes through page 51, Note 19.

He noted that that the report is a “clean report.”
Chair Hagan asked if there was any further discussion or questions. He noted that this was a great year and great cooperation by the staff.

President Torrecilha noted that on page 39 that bonds payable jumps from years 2022 through 2026. Mr. Dilulis explained that after the first five years, the following years are combined. He said that until there is a report from KPMG, “our hands are tied” but no changes are anticipated.

Chair Hagan asked if anything else was to be discussed. Hearing none, he moved to the Motion.

MOTION to accept the annual report for fiscal year ending June 30, 2016, 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 pending that the Commonwealth’s allocation of unfunded pension liability does not materially change based on the final allocation schedule provided by the Commonwealth. This annual report includes the Westfield State University FY16 Financial Statements, audited by O’Connor & Drew, P.C.

Chair Hagan made the motion with Trustee Martin making the second. Chair Hagan asked if there were any questions or comments. Hearing none he called for the Vote. The Motion was approved unanimously and the Motion carried.

Chair Hagan and Trustee Queenin thanked O’Connor and Drew.

Chair Hagan moved to the next agenda Item for Action, Motion regarding the Criminal Offender Record information (CORI)/Background Check Policy (0510). It is noted here that this motion was tabled at the June 16, 2016 Board of Trustees meeting for additional information and review and to be brought back to this meeting on October 6, 2016.

Chair Hagan recognized Ms. Evelyn Soucie, Human Resources. Ms. Soucie explained that this policy was brought forth at the June 16, 2016 meeting of the full Board of Trustees. Policy changes have been made in order to bring the Westfield State University policy in line with state agencies. She explained that the Audit Committee approved the policy in June but it was tabled at the full Board level. The revised policy presented at this meeting now incorporates the CORI with the national criminal background check. This has been vetted through counsel Rubin and Rudman.

Full board Chair Steven P. Marcus entered the room at 2:25 PM.

Ms. Soucie pointed out that the policy now includes CORI and SORI (Sex Offender Record Information) as well as the national background check.

Chair Hagan asked if there was anything further (discussion or questions).

Trustee Martin asked if there was any issue with interface with the collective bargaining agreements.
Ms. Soucie responded that there is language on the second page. The faculty bargained regarding the form for the release. You are allowed to re-CORI an employee after the first year. It is now bargained that a new release form is required if you will CORI an employee again. This is the only change.

Chair Hagan asked if there was anything else. There was not. Chair Hagan brought forth the motion:

**MOTION** to approve and adopt the updated Westfield State University policy 0510 Criminal Offender Record Information (CORI/Background Check), as presented. Trustee Slakey seconded this motion. Chair Hagan asked if there was any discussion or questions. There was none. Chair Hagan called for a vote and that vote was unanimous.

Chair Hagan then made a motion to adjourn the meeting. Trustee Slakey seconded. The vote was unanimous to adjourn the meeting.

The meeting of the Audit Committee adjourned at 2:28 PM.

**Attachments presented at this meeting:**

a. Reporting Violations of Laws, Rules, or Regulations (Whistleblower) Policy (0440)
b. Fixed Assets Inventory Progress Report
c. Fixed Assets Inventory List
d. State Audit Draft Report
e. WSU – 2016 PCI DSS 3.1 Risk Assessment
f. PCI Audit Review Matrix
g. O’Connor & Drew, Required Communications (October 6, 2016)
h. FY16 Audit Report
i. Motion — FY16 Audit Report
j. Criminal Offender Record Information (CORI) Policy dated October 2009
k. Criminal Offender Record Information (CORI) Policy dated May 2016
l. Criminal Offender Record Information (CORI) / Background Check Policy (0510)
m. Motion— Criminal Offender Record Information (CORI) / Background Check Policy (0510)