Board of Trustees
Audit Committee
Minutes

Room 134, Catherine Dower Center for the Performing and Fine Arts
June 15, 2017

Board of Trustees committee members in attendance: Committee Chair Hagan, Vice Chair Sullivan, Secretary Martin, and Trustee Magovern.

Excused absence: Trustee Slakey.

Trustee guests present: Trustees Marcus, Landrau, Johnson, Queenin, Trafford.

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

The meeting was called to order by Committee Chair Hagan at 2:00 PM.

Committee Chair Hagan moved forward to agenda item Approval of Minutes of April 4, 2017 and asked for a Motion to approve the minutes.

**MOTION** was made by Trustee Magovern, seconded by Trustee Martin, to approve the minutes of the April 4, 2017 meeting. **Motion passed unanimously.**

Committee Chair Hagan announced that the meeting will be audio recorded.

Committee Chair Hagan brought forward Items for Information – U.S. Department of Education FY16 Final Audit Determination. Olivia Bischoff, Associate Director of Risk Management, came to the table and stated that the U.S. Department of Education has reviewed the FY16 single audit and issued a final determination. The university has received a single audit finding in Fiscal Years 12, 13, 15 and 16 for work study students working during class times. There is no materiality threshold for a single audit so even one occurrence may result in a finding. In FY15 the corrective action plan sufficiently addressed the issue. In FY16, due to the repeat nature of these findings, the Department issued in their report that failure to correct these deficiencies may result in referral to the Department’s Administrative Actions and Appeals Service Group for possible administrative action. This may result in a fine and/or the limitation, suspension or termination of our eligibility to participate in the federal student financial aid program. The university is taking this very seriously, and although it has implemented corrective action plans in the past, it needs to go further. The divisions of Enrollment Management and Administration and Finance will develop new strategies to enhance oversight and increase accountability, which will be implemented in FY18. All on-campus work study departments have been transitioned to self-service time and attendance to report timesheets online.
The final corrective action plan was not implemented until the last quarter of 2017 because the payroll department did not complete their audits until the final quarter due to other time constraints.

It was mentioned that the implemented corrective plan needs to hold supervisors accountable for reporting the right time so that the students and the units where they work follow the rules and regulations. There should be consequences if not. The students also have the responsibility to let their supervisors know if they are working during a cancelled class period.

Vice President Stephen Taksar stated that this issue goes back 4 to 5 years and the university can demonstrate it has put corrective action plans in place, but the oversight and accountability need to be followed. Although payroll doesn’t have access to the student’s schedules now that time sheets are created online, DGCE does have a sample weekly schedule to fill in the blocks to use for visually mapping out when students are in classes. It was suggested that each department could utilize that to see when their students should be in class. The Department of Education gets the audit in December and issues their finding determination in the spring. By the time we get the finding, our entire fiscal year has gone by.

Committee Chair Hagan moved to Items for Discussion – FY17 Audit Plan Presentation, and introduced Dave Dilulis from O’Connor & Drew, who will continue to be our engagement partner. The audit team was at the university last week to test internal controls and look at financial aid information. There are presently no concerns with the testing work. The audit team will return from July 31 to August 11 for year-end testing that will include financial statements, internal control and financial audit. The financial statements are due to the state by October 15 and the single audit will also be done by then. Mr. Dilulis outlined the interim and year-end testing to be completed as well as the single audit federal funds expenditures. The audit team will be looking at the work study corrective action plans that were implemented.

There are not many GASB Pronouncements to implement this year but at the end of FY18, a large GASB will need to be implemented with OPEB (Other Post-Employment Benefits) to retirees, which is concerning health insurance. This will be a significant liability on the financial statements reflecting this potential liability.

President Torrecilha left the meeting at 2:13 PM and returned at 2:15 PM.

Committee Chair Hagan brought forward agenda item FY17 Year-End Internal Audit Report and welcomed Ms. Bischoff to address the committee. Ms. Bischoff stated that the Internal Audit Report was being provided in accordance with the Audit Charter Responsibility #12, where the committee is to receive a progress report on the internal audit schedule and the findings and resolutions reviewed during the fiscal year. The first internal audit was Procurement. It was noted that during P-Card suspensions, the card is not taken from the employee or deactivated with JPMorgan. The Procurement department has implemented a procedure to reduce the dollar limit on suspended cards to $1 so the cardholder can’t use the card during suspension. Also, written procedures were not in place for employees requesting purchases on the Director of Procurement and Administrative Services’ P-Card. The Procurement department will implement procedures to require DHSA approval for all expenditures requested on the Director of Procurement and Administrative Services’ P-Card. The internal audit also revealed that P-Card authorization forms were not on file for 2 of the 8 selected cardholders. All departments will go through their forms to see if they are missing authorization forms. There were a total of 27 P-Cards at the time of the audit.

A sanction grid is in place that lists corrective action for suspended P-Cards, which is handled by the Procurement department, which monitors P-Card statements. The VP of Administration and Finance can also review the action to see if there are any exceptions to the sanction grid. If an employee tries to use
their card during a suspension, is there any discipline? It was mentioned that some employees have recurring charges against their P-Cards or does not know what items are not allowed to be purchased on a P-Card. Employees should be re-educated on what items are permissible and not permissible to be purchased on their cards.

The purchase limits on the cards vary. For some employees, the limit is $5,000, but for the Director of Procurement and the Travel Manager, it is much higher because the Travel Manager puts all travel on her P-Card. Ms. Bischoff will get an updated list of cardholders and limits to the Trustees.

Trustee Landrau joined the meeting at 2:22 PM.

The second internal audit was for Travel. It was discovered that the Travel Policy did not reference that frequent flyer and hotel rewards points were not permissible to be accrued under the Conflict of Interest Law and many employees have inadvertently accrued such awards. Employees will be educated on this topic at the annual training sessions and travel forms will be updated.

The Travel Advance Payment form does not require a supervisor’s signature. This procedure could be abused if an employee received an upfront allowance before travel and then submitted a travel expense reimbursement form after travel, getting paid twice. Employees could also duplicate expenses by paying for their travel on a P-Card and then submitting a travel expense reimbursement form. Most of these issues have been diminished because our Travel Manager is making most travel arrangements.

Widespread abuse has not been found in the travel audit. A process working group will be formed to review and address policy changes, training, and form update.

The third internal audit was for Key Control. This audit is currently in progress and will span FY17 and FY18. All lists for mechanical keys, tech keys and campus cards outstanding are being compared to a current list of students and employees to see if there is anyone unauthorized on the list as having a key. Preliminary research has identified approximately 100 former employees that are on the list as having keys. A locksmith has been contacted who will terminate access on those keys. This does not mean there are 100 unauthorized people having keys. There were many new employees not on the key list, so further research and testing is needed to find out if current employees may be using a former employee’s key without it being reported, or whether name changes have taken place. Human Resources has been contacted to find out how names that are added, deleted, or changed are being given to the locksmith. It was agreed that there also needs to be a limit on the distribution of master keys. There will be a sample of departments that will be selected to account for the keys issued it.

Ms. Bischoff stated she has created a tracking spreadsheet for internal and external audit recommendations, action plans and resolutions and will go back and review prior internal audits that have been done to see if the recommendations have been implemented. She has followed up on the FY16 inventory and equipment audit and will be reviewing the payroll audit at the close of this fiscal year.

Committee Chair Hagan turned the floor over to Vice President Taksar to discuss Enterprise Risk Management. Vice President Taksar proposes engaging an outside advisor for a preliminary assessment of where we are by reviewing the materials we have gathered and meeting with campus leadership over the summer. In the fall, a plan could be made to fully engage the campus leadership and the Board on risk management, based on his recommendation. The process needs to be more than just being looked at once a year, and a strategy and plan is needed to accomplish that. An outside perspective might be valuable to help us manage enterprise risks for campus.
Committee Chair Hagan brought forward the next item on the agenda, the FY18 Internal Audit Schedule. Ms. Bischoff shared the items proposed to be part of the FY18 internal audit. The Data Security Audit will include looking at personally identifiable information stored in paper form. The results of this audit will be used to create a campus-wide training program on this issue. We are also subject to the state record retention laws so record destruction procedures will also be included in those trainings.

Dining Services Audit. Since starting as a self-operating dining service in FY17, in FY18 there will be a review of sales, cash handling, procurement, inventory management, catering invoicing, and catering receivables. Additional areas may be added once the dining service process has been reviewed. There is also a collaboration with the Department of Environmental Health and Safety who will be doing a review of employee and food safety.

Division/Department Cash Receipts Follow Up. This is a follow up with the 19 departments reviewed in FY15 to see if they have implemented those recommendations and if they are now in compliance with the updated Petty Cash and Cash Receipts policy. There are also 3 departments that should have been audited in FY17 so those will be done in FY18.

Ms. Bischoff stated that she has implemented a tracking mechanism to make sure the recommendations given to departments in the past have been properly addressed. The Trustees look forward to seeing the recommendations and training opportunities to be implemented and asked for the tracking documents to be shared at committee meetings.

Vice President Taksar stated that Ms. Bischoff does a lot of work behind the scenes and wants to make sure she is recognized for what she does. It is not easy looking for problems and how to fix them. Her work is very proactive and gets results; people cooperate with her. Chair Marcus and Trustee Hagan agreed her work was outstanding.

Committee Chair Hagan brought forth the Motion to Approve the FY18 Internal Audit Schedule.

**MOTION** made by Trustee Martin, seconded by Trustee Magovern, to approve the FY18 Internal Audit Schedule, as presented. **Motion passed unanimously.**

There being no further business, Trustee Magovern made the motion to adjourn, which was seconded by Trustee Landrau. **Motion passed unanimously.**

The meeting was adjourned at 2:45 PM.