Westfield STATE UNIVERSITY

Board of Trustees

Audit Committee
Minutes

President's Boardroom, Horace Mann Center
October 12, 2017

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

Excused absence: Vice Chair Landrau

Trustee guests present: Trustees Marcus, Martin, Queenin, Slakey and Swan.

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

The meeting was called to order by Committee Chair Sullivan at 1:01 PM.

Committee Chair Sullivan moved forward to agenda item Approval of Minutes and asked for a Motion.

> **MOTION** was made and seconded to approve the minutes of the June 15, 2017 meeting. There being no discussion, the **Motion passed unanimously.**

Committee Chair Sullivan moved to agenda item Enterprise Risk Management Planning and invited Stephen Taksar, Vice President for Administration and Finance, to the table. Vice President Taksar discussed the Bradan Curley Phase 1 report which will be used to help implement risk management strategies. There is a need for more campus leadership engagement, more accountability, and a focus on the Top 10 risks to the university. The report frames a needed conversation about risk management in terms of institutional priorities as well. It will also be important for the Board to have a more important role in risk management.

Committee Chair Sullivan invited Olivia Bischoff, Associate Director of Risk Management, to the table to give an update on the internal audit. Ms. Bischoff indicated she has finished the key control and submitted her findings to the director of facilities and operations with a series of recommendations to address. The next step is a management corrective action plan. Her findings indicated that the May tech key list contained 182 former employees. The ID cards for access list contained 35 former employees. Ms. Bischoff's review showed two departments with no records of keys and three departments that had incomplete records. There are many unaccounted for lost keys, including master and grand master keys, which open residence or academic buildings. She suggested it is time to think about what system the entire campus will use instead of having mechanical and tech (electrical) keys as well as ID card

access and recommends completing a cost benefit and risk analysis to determine which system would work best.

Ms. Bischoff also found that vendors and contractors are issued master keys which are removed from campus. It was discovered that three keys were not returned after their due date. It is Ms. Bischoff's recommendation to implement a key control policy. Draft guidelines will be created and brought to the board.

The next internal audit will be dining services, which has been started.

Committee Chair Sullivan welcomed Alan Blair, Chief Information Officer, to the table who stated that an annual PCI Assessment is required by the commonwealth and he is very pleased with the results this year. We currently do not have any deficiencies. If we had not met the standard, the biggest impact would be losing our merchant services (debit/credit/ATM uses). The standards keep changing and his department will be proactive in understanding and complying with the new standards. He is content with the level of risk for PCI compliance.

Committee Chair Sullivan continued to the next agenda item, Committee Charter, and said that the Audit Committee currently has an effective charter in place. If any Trustees have comments or suggestions related to this charter, they should be directed to the Committee Chair by October 27.

Committee Chair Sullivan welcomed David Dilulis from O'Connor & Drew, P.C., the auditing firm.   Mr. Dilulis stated that a draft audit report had been provided to the Trustees and gave an overview of how the audit was performed. There were no material weaknesses or deficiencies with the internal audit report and no audit differences this year. The results of the single audit will be discussed at a later meeting. The net pension liability must be looked at. Other Post-Employment Benefits (OPEB) needs to be implemented next year, requiring a need to restate the opening net position. Westfield State's share could be three-fourths of our pension liability, which is now about $30 million. In 2021, operating leases will need to be put on the balance sheet.

Mr. Dilulis commented that the snapshot of assets and liabilities on June 30 totaled $180 million of total assets, which is a significant increase since last year. Capital assets net of depreciation were $104 million, a significant swing from last year because of capital invested during the year. Cash represents one-third of the total assets.

Looking at liability and net position, the June 30 total liabilities were $72 million – net pension liability is large, plus bonds payable at $23 million and compensated absences of $1.6 million equaled 85 percent of total liabilities. The difference between both has changed significantly and the increase in assets went to net position.

The income statement shows an increase in net position of $9.8 million this year. There has been a significant return, close to $30 million, over the last two years. Expenses did go up due to salary and fringe benefits, to $2.8 million before capital appropriation.

It was agreed to have O'Connor and Drew submit the draft Audit Report and then add a footnote related to the pension liability and submit the final report after adding the footnote.

MOTION was made and seconded to present to the full board the Motion to accept and submit the annual report for fiscal year ending June 30, 2017, as amended to include a statement relative to pension liability. The exact wording will be drafted prior to the full board meeting. **There being no further discussion, the Motion passed unanimously.**

Committee Chair Sullivan called Alan Blair to the table to explain the next agenda item, the Remote Access Policy. Mr. Blair stated this policy was needed to define the requirements for who can access our systems and programs remotely.

MOTION was made and seconded to approve the new Remote Access policy; and to authorize and cross-reference language in this new Remote Access policy to be made in all other Westfield State University publications. **There being no further discussion, the Motion passed unanimously.**

Alan Blair continued with the Data Classification Policy and explained the draft had been in the works for approximately two years as we needed to be PCI compliant before finalizing the Data Classification policy so significant changes to the policy would not have to be made when the PCI regulations changed. A matrix will be developed to create categories and instruction on where to store information.

MOTION was made and seconded to approve the new Data Classification policy; and to authorize and cross-reference language in this new Data Classification policy to be made in all other Westfield State University publications. **There being no further discussion, the Motion passed unanimously.**

Vice President Taksar formally recognized Ms. Bischoff, Ms. Freeman, and Mr. Blair for their work on the audit and policies. These are important issues and they have worked hard behind the scenes. Chair Marcus also expressed thanks to Trustee Sullivan for taking the chair of this important committee.

There being no further business, Committee Chair Sullivan asked for a Motion to adjourn.

MOTION was made and seconded to adjourn. **Motion passed unanimously.**

The meeting was adjourned at 1:47 PM.

Attachments presented at this meeting:

    a. Minutes of Audit Committee Meeting June 15, 2017
    b. Enterprise Risk Management Discussion and Planning Phase I
    c. FY17 Payment Card Industry (PCI) Assessment (Executive Summary)
    d. FY17 Payment Card Industry (PCI) Assessment (Matrix)
    e. FY17 Payment Card Industry (PCI) Assessment (Risk Report)
    f. Committee Charter (Existing)
    g. Committee Charter (Proposed)
    h. Motion – FY17 Audit Report
    i. Draft FY71 Audit Report
    j. Motion – Remote Access Policy
    k. Policy – Remote Access (New Policy)
    l. Motion – Data Classification Policy

m. Policy – Data Classification (New Policy)
n. Policy – Data Classification (Guidelines)