



Board of Trustees

Audit Committee

10:00 AM

April 24, 2019

President's Boardroom, The Horace Mann Center

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|-----------------------------------------------------------------------------------------------------------------|---------------------------------|
| 1. Call to Order | Trustee Martinez-Alvarez |
| 2. Minutes
February 7, 2019 | Trustee Martinez-Alvarez |
| 3. Items for Information
a. Enterprise Risk Management (ERM) Update
b. Campus Policy Review Update | Stephen Taksar
Susan Leggett |
| 4. Items for Discussion
a. Associate Director, Risk Management Update | Stephen Taksar |
| 5. Items for Action
a. Motion – Audit Firm Selection | Lisa Freeman |

Attachment(s):

- a. Minutes 2-7-19 Draft
- b. Associate Director Update (Summary)
- c. Associate Director Update (Committee Charter)
- d. Motion – Audit Firm Selection
- e. Engagement Letter



Board of Trustees

Audit Committee

Minutes

President's Boardroom, Horace Mann Center

February 7, 2019

Board of Trustees committee members in attendance: Committee Chair Martinez-Alvarez, Vice Chair Hill, Secretary Magovern, and Trustee Slakey (remotely).

Excused absence: Trustee Landrau

Trustee guests present: Trustees Martin, Queenin and Swan.

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

The meeting was called to order at 2:16 PM by Committee Chair Martinez-Alvarez, who stated that Mr. David Dilulis from O'Connor and Drew, PC and Trustee Slakey would be participating remotely and that votes would be by roll call.

MOTION was made by Trustee Magovern, seconded by Trustee Hill, to approve the minutes of the December 5, 2018 meeting. Trustee Slakey could not be heard on the line, so a regular vote was taken. **Motion passed unanimously.**

Trustee Slakey indicated later in the meeting that she had been connected since the beginning of the meeting but that her mute was on and she could not vote on the motion to approve the minutes.

Committee Chair Martinez-Alvarez stated that the investigation into the whistleblower report that had been sent to counsel after the October Board meeting had been finalized and forwarded to each of the Board members. The attorney concluded that there is no statute or policy that prohibits the issuance of bonuses, and the issuance of bonuses has been a practice in the past. The President has, within his discretion, the authority to issue bonuses and the issuance of bonuses out of the contingency fund was permissible. Additionally, the investigation found that the amount of the bonuses did not rise to the level of waste. Attorney Elizabeth Sullivan was present at the meeting to answer any questions; there were none. President Torrecilha thanked the Board and Attorney Sullivan for carrying out the investigation and stated that he appreciated the transparency.

Mr. Stephen Taksar, Vice President of Administration and Finance, presented the next agenda item and stated that Ms. Olivia Bischoff, the Associate Director of Risk Management, left the University on January 4, 2019. The position will not be filled immediately until the job description has been reviewed. The task of overseeing whistleblower complaints has been assigned to Dr. Jalisa Williams, Assistant Vice President of Human Resources. Appropriate adjustments to the position may be made and the search for a replacement will then begin. President Torrecilha stated the structure and reporting lines for this position need to be discussed by the Board.

Ms. Lisa Freeman, Associate Vice President of Administration and Finance, brought forward the next agenda item and stated that due to a change of the actuarial valuation statewide, our financial statements were required to be amended as it increased Westfield State's net position by approximately \$8.5 million.

Mr. David Dilulis of O'Connor and Drew explained the updated financial statements showed the increase in net position exceeded the materiality threshold so the statements were required to be reissued. The change in net position affected the entire financial statements so notes 2, 12, 14, 16, 17 and the schedule of OPEB liabilities changed as well as all the footnote disclosures. The actuarial firm KPMG made the error and the State has agreed to pick up the cost of reissuing the statements.

Trustee Hill left the meeting at 12:26 PM and returned at 12:28 PM.

Vice President Taksar added that the \$8.5 million is not a savings to the institution. It means the net position is less negative, going from -\$40 million to -\$32 million but it doesn't affect the day-to-day operations. Ratios are being calculated with and without the pension impact to better understand the impact on the financial statements and campus operations.

MOTION was made by Trustee Hill, seconded by Trustee Magovern, to accept the revised annual report for fiscal year ending June 30, 2018, as prepared by the university's Administration and Finance Division and to authorize the submission of this reissued 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 FY18 Financial Statements, audited by O'Connor & Drew, P.C. which have been reissued due to a material change in the actuarial valuation of the Commonwealth's OPEB liability.

Roll call vote:

Trustee Hill - Yes

Trustee Magovern - Yes

Trustee Martinez-Alvarez - Yes

Trustee Slakey - Yes

Motion passed unanimously.

There being no further business, **MOTION** was made by Trustee Hill, seconded by Trustee Magovern, to adjourn.

Roll call vote:

Trustee Hill - Yes

Trustee Magovern - Yes

Trustee Martinez-Alvarez - Yes

Trustee Slakey - Yes

Motion passed unanimously.

The meeting was adjourned at 12:34 PM.

Attachments presented at this meeting:

- a. Minutes of December 5, 2018
- b. Motion – Restated Financial Statements
- c. Restated Financial Statements (Email)
- d. Restated Financial Statements

Secretary's Certificate

I hereby certify that the foregoing is a true and correct copy of the approved minutes of the Westfield State University Board of Trustees Audit Committee meeting held on February 7, 2019.

Robert Magovern, Secretary

Date

**Westfield State University
Audit Committee**

**Associate Director of Risk Management Update and Discussion
April 24, 2019**

Overview

The current Audit Committee Charter (Policy #460) requires the audit committee to assess the role, independence, and reporting of the internal audit function as well as determining if this function should be outsourced, in sections IV-13 and IV-15. In order to meet this policy requirement, the following document has been produced to provide context and background to facilitate the discussion.

The position of Associate Director for Risk Management has been vacant for the last few months pending an assessment of the job description. Information has been collected from other state universities in order to benchmark similar positions in regards to function and reporting structure. The University's external auditor, O'Conner and Drew, has been consulted on aspects of the role and reporting structure as well.

This position is critical to maintain a strong focus on risk management, internal controls, procedure/policy assessments and reviews. Overseeing the newly adopted Enterprise Risk Management program, updating the campus internal control plan as well as conducting a quality internal audit function are essential elements of the position which adds significant value to the risk and compliance functions of the University.

Before proceeding to fill this position and given the interface with the Audit Committee on several of these issues, a thoughtful and solution oriented discussion at this juncture is appropriate.

Key Issues

1. The Audit Committee has the authority to determine how the internal audit function is carried out, either internally or outsourced. Is outsourcing a consideration?

(Currently, this function is built into the Associate Director's position. On average, three to four internal audits are performed per year.)

2. How should the dual reporting structure be addressed?

(Currently, the position has a dual reporting model both to the Audit Committee and the Vice President of Administration and Finance.)

3. Based on the reporting structure, how can the internal audit function be more independent to ensure quality results?

(Currently, internal audit function is primarily overseen by the Vice President of Administration and Finance in conjunction with the Audit Committee.)

Comparison of Positions and Reporting Structure for other State Universities in Massachusetts

- There is no consistent approach across the state universities regarding roles, functions, or reporting structure.
- Westfield is the only school with a formal internal audit function.
- Five colleges do not have any staff dedicated to these topic areas.
- Four colleges have positions, with different roles and priorities.
 - Of the four colleges with these positions:
 - One reports to the Vice President of Finance.
 - One reports to the Vice President of Finance and the Audit Committee (Westfield State).
 - One reports to the Chief of Staff and the Board of Trustees.
 - One reports to the Vice President of Finance and the President.
- One college assigns risk management functions to the Chief of Police who reports to the President.
- Only Westfield has an internal audit function, other schools focus on compliance, internal controls and risk management. Some schools do internal reviews in a supportive mode as an improvement strategy.
- Schools without formal positions have either a committee structure to oversee risk management or disperse the risk management function to operational departments (i.e., Finance, Information Technology).

Recommendations

- Shift reporting structure to one supervisor, Vice President of Administration and Finance.

- Separate any internal audits performed for departments or processes in the Division of Administration and Finance to the Chief of Staff in the President's Office.
- Until the Associate Director position is filled, keep the Whistleblower function assigned to Human Resources.
- More closely follow the Audit Policy with respect to interactions and regular reporting from the Associate Director to the Board of Trustees, as currently described.
- Review the Whistleblower Policy (#440) and the Audit Committee Policy (#460) and recommend updates, as appropriate, for the June 2019 Board of Trustees meeting.

AUDIT COMMITTEE OF THE BOARD OF TRUSTEES OF WESTFIELD STATE UNIVERSITY CHARTER

I. STATEMENT OF POLICY

The primary function of the Audit Committee of Westfield State University (the "University") is to oversee the accounting and financial reporting processes of the University, audits of the University's financial statements, reports and records, and risk management systems. In addition, the Audit Committee must provide assistance to the University's Board of Trustees (the "Board") in fulfilling its responsibilities to the University's students, parents, faculty, donors and staff as to the University's accounting, auditing and reporting practices and controls. In so doing, it is the responsibility of the Audit Committee to maintain free and open means of communication among the Board, independent auditors, internal auditors and members of the senior administration of the University.

II. COMPOSITION OF THE AUDIT COMMITTEE

Per Westfield State University Board of Trustee By-laws, Section 7.A., the Audit Committee shall consist of at least three voting trustees; provided however, that no more than one committee member may also be a member of the Finance and Capital Assets Committee. In no case may a trustee serve on the committee for more than three consecutive years.

The Audit Committee chairperson shall be appointed by the Chairman of the Board and confirmed by the majority vote of the Board members. If an Audit Committee chairperson is not designated or present at a meeting, the members of the Audit Committee may designate a chairperson by a majority vote of the Audit Committee membership.

III. MEETINGS

The Audit Committee shall meet at least four (4) times a year or more frequently as circumstances require. The Audit Committee shall maintain minutes of each meeting of the Audit Committee and shall report the significant actions of the Audit Committee to the Board, with such recommendations as the Audit Committee deems appropriate.

IV. RESPONSIBILITIES AND DUTIES OF THE AUDIT COMMITTEE

The primary duties and responsibilities of the Audit Committee are to oversee and

monitor the University's financial reporting process, internal controls and risk management systems and review and evaluate the performance of the University's independent auditors and internal auditing staff. In fulfilling these duties and responsibilities, the Audit Committee shall take the following actions, in addition to performing such functions as may be assigned by law or regulation, or the Board:

1. The Audit Committee shall review and reassess this Charter annually and recommend any proposed changes to the Board for approval.
2. The Audit Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any independent auditor engaged (including resolution of disagreements between administration and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the University. The independent auditor must report directly to the Audit Committee.
3. The Audit Committee shall act as a liaison with University administration and staff and the independent external auditor to develop an annual audit plan and schedule.
4. The Audit Committee, in its capacity as a committee of the Board, shall determine, and the University shall provide, providing the Board has approved the expenditure of funds for such engagements, funding for payment of: (i) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the University; (ii) compensation to any advisers, including, without limitation, an independent financial expert, employed by the Audit Committee, and as permitted by this Charter; and (iii) ordinary and reasonable administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.
5. As part of the audit process, the Audit Committee shall meet with the independent auditors to discuss and determine the scope of the audit. The Audit Committee shall determine that the independent audit team engaged to perform the external audit consists of competent, experienced, auditing professionals.
6. The Audit Committee shall require the independent auditors to submit, on an annual basis, a formal written statement setting forth all relationships between the independent auditors and the University that may affect the objectivity and independence of the independent auditors, consistent with Independence Standards Board Standard No. 1, and the Audit Committee shall actively

engage in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors. The Audit Committee shall take, or recommend that the full Board take, appropriate action to ensure the independence of the independent auditors.

7. The Audit Committee shall require the independent auditors to advise the University of any fact or circumstance that might adversely affect the outside auditors' independence or judgment with respect to the University under applicable auditing standards, including any significant changes to the University's accounting principles and any items required to be communicated by the independent auditor under prevailing audit standards.
8. The Audit Committee shall require the independent auditors to advise the University if it becomes aware that any officer or employee of the University, or its direct or indirect subsidiaries or affiliates, is related to a partner, employee or other representative of the independent auditors, to the extent that such relationship might adversely affect the University under applicable auditing standards.
9. Upon the completion of the annual audit, the Audit Committee shall review the audit findings, including any comments or recommendations of the independent auditors, with the entire Board and obtain the approval of such report from the Board. The Audit Committee shall report to the Board on any issues which may be unresolved.
10. The Audit Committee shall review the regulations and current audit trends and requirements and recommend appropriate policy and practice applications to University administration.
11. The Audit Committee shall meet at least annually with the University's internal auditor to assure itself that the University has a strong internal auditing function by reviewing the internal audit program and assessing (grading) risk areas along with a proper control environment that promotes accuracy and efficiency in the University's operations.
12. The Audit Committee shall receive reports from the University's internal auditor, which include a summary of findings from completed internal audits and a progress report on the internal audit plan, together with explanations for any deviations from the original plan.
13. The Audit Committee shall review the internal audit function of the University, including the independence and authority of its reporting obligations, the

Westfield State University

Policy concerning:

APPROVED: December 2014

Section Administrative

number 0460

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REVIEWED: April 2018

proposed audit plans for the coming year and the coordination of such plans with the independent auditors.

14. The Audit Committee shall recommend the appointment, replacement, reassignment or dismissal of the University's internal auditor as may be warranted.
15. The Audit Committee shall determine whether the internal audit function may be performed by a staff internal auditor or may be outsourced to a third party, as deemed appropriate.
16. The Audit Committee shall consider and review with the University's administration and the internal auditor: (a) significant findings during the year and management's responses thereto, including the status of previous audit recommendations, (b) any difficulties encountered in the course of their audits, including any restrictions on the scope of activities or access to required information, (c) any changes required in the planned scope of the internal audit plan; and (d) the internal auditing department budget and staffing.
17. The Audit Committee shall investigate or consider such other matters within the scope of its responsibilities and duties as the Audit Committee may, in its discretion, determine to be advisable. The Audit Committee shall have the authority to engage independent counsel and other advisers or experts, as it deems necessary to carry out its duties.
18. The Audit Committee shall prepare any report required by any governmental body or to the public, if any, as required by laws of the Commonwealth of Massachusetts and any/all regulations promulgated thereunder.
19. The Audit Committee shall establish procedures for the confidential, anonymous submission by University staff and administration of concerns regarding questionable accounting or auditing matters.
20. The Audit Committee shall at all times cooperate with all state auditors and provide any/all reports, statements, minutes and other related documents as may be required by such auditors.

REVIEW

This policy shall be reviewed annually by the Board of Trustees Audit Committee Chair and the Vice President for Administration and Finance.



Board of Trustees

April 24, 2019

MOTION

To engage the accounting firm of O'Connor and Drew, P.C. for FY19 audit services.

Kevin R. Queenin, Chair

Date



April 2, 2019

Ms. Lydia Martinez-Alvarez
Audit Committee Chair
Westfield State University
577 Western Avenue
Westfield, MA 01086

Dear Ms. Martinez-Alvarez:

We are pleased to confirm our understanding of the services we are to provide Westfield State University (the "University") for the year ended June 30, 2019.

We will audit the financial statements of the University as of and for the year ended June 30, 2019, including the related notes to the financial statements, which collectively comprise the basic financial statements. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis, to supplement the University's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the University's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- Management's Discussion and Analysis
- Schedules of the University's Proportionate Share of the Net Pension Liability
- Schedules of the University's Contributions
- Notes to the Required Supplementary Information

Audit Objectives

The objective of our audit is the expression of an opinion as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of Uniform Administrative Requirements, Cost Principles, and Audit Requirements as issued by OMB, and will include tests of accounting records of the University, a determination of major program(s) in accordance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements as issued by OMB, and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. We will issue a written report upon completion of our audit of the University's financial statements. Our reports will be addressed to The Board of Trustees of Westfield State University. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose, and (3) that internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Uniform Administrative Requirements, Cost Principles, and Audit Requirements as issued by OMB. If during our audit we become aware that the University is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures- General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the University or to acts by management or employees acting on behalf of the University. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will include such matters in the reports required for a Single Audit. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures- Internal Controls

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls

may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by Uniform Administrative Requirements, Cost Principles, and Audit Requirements, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Uniform Administrative Requirements, Cost Principles, and Audit Requirements.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards* and Uniform Administrative Requirements, Cost Principles, and Audit Requirements.

Audit Procedures- Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the University's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Uniform Administrative Requirements, Cost Principles, and Audit Requirements requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the University's major programs. The purpose of these procedures will be to express an opinion on the University's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to Uniform Administrative Requirements, Cost Principles, and Audit Requirements.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as representations contained therein. Management is also responsible for identifying

government award programs and understanding and complying with the compliance requirements, and for the preparation of the schedule of expenditures of federal awards in accordance with the requirements of Uniform Administrative Requirements, Cost Principles, and Audit Requirements. You are responsible for making all management decisions and performing all management functions relating to the financial statements, schedule of expenditures of federal awards, and related notes and for accepting full responsibility for such decisions. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, and contracts or grant agreements, or abuse that we report. Additionally, as required by Uniform Administrative Requirements, Cost Principles, and Audit Requirements, it is management's responsibility to follow up and take corrective action on reported audit findings and

to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review in June 2019.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for the presentation of the supplementary information in accordance with U.S. GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period; and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of the letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information. With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the University; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of O'Connor & Drew P.C. and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of O'Connor & Drew, P.C. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release or for any additional period requested by the governmental agency. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit in approximately May 2019 and to issue our reports no later than October 15, 2019. David DiIulis is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fees for these services are \$82,000. An additional fee of \$4,500 will be included for each additional major program and \$5,000 for the MOSFA engagement. These fees are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes sixty days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

In addition, fees for any special audit-related projects, such as research and/or consultation on special business or financial issues, will be billed separately from the audit fees for professional services and may be subject to written arrangements supplemental to those in this letter.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comments received during the period of the contract. Our 2019 peer review report accompanies this letter.

We appreciate the opportunity to be of service to Westfield State University and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

O'Connor and Drew, P.C.

O'Connor & Drew, P.C.

RESPONSE:

This letter correctly sets forth the understanding of Westfield State University.

Signature: _____

Title: _____

Date: _____

Report on the Firm's System of Quality Control

December 6, 2017

To the Owners
O'Connor & Drew, P.C.
and the Peer Review Committee of the Massachusetts Society of CPA's

We have reviewed the system of quality control for the accounting and auditing practice of O'Connor & Drew, P.C. (the firm) in effect for the year ended June 30, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act, and audits of employee benefit plans.

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of O'Connor & Drew, P.C. applicable to engagements effect for the year ended June 30, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. O'Connor & Drew, P.C. has received a peer review rating of *pass*.

Melroy + Novak LLC