



Board of Trustees
Audit Committee

9:45 AM
April 30, 2020
Zoom Meeting

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| 1. Call to Order | Trustee Boudreau |
| 2. Minutes | |
| a. December 11, 2019 | Trustee Boudreau |
| 3. Items for Information | |
| a. Associate Director, Risk Management Position | Stephen Taksar / Trustee Boudreau |
| b. Internal Controls | Stephen Taksar |
| 4. Items for Discussion | |
| 5. Items for Action | |
| a. Motion – Audit Firm Selection | Lisa Freeman / Auditors |

Attachment(s):

- a. Minutes 12-11-19 Audit Committee Draft
- b. Motion – FY20 Audit Firm Selection
- c. Engagement Letter



Board of Trustees

Audit Committee

Minutes

President's Boardroom, The Horace Mann Center

December 11, 2019

MEMBERS PRESENT: Committee Chair Boudreau, Vice Chair Landrau, and Trustees Alvarado and Martin

MEMBERS EXCUSED: Secretary Martinez-Alvarez

TRUSTEE GUESTS PRESENT: Trustees Magovern, Queenin, and Williams.

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

The meeting was called to order at 1:10 PM by Committee Chair Boudreau, who recognized the following students from the Student Government Association joining the meeting: Liz Ferrara, the legislative secretary, Kaytlyn Mekal, the president, and Aaron Lessing, who will be taking over as the SGA executive secretary for next semester.

MOTION made by Trustee Martin, seconded by Trustee Landrau, to approve the minutes of the October 10, 2019 meeting. **Motion passed unanimously.**

Committee Chair Boudreau moved item number 5 up in the agenda to accommodate Mr. Dave Dilulis from O'Connor and Drew joining the meeting by telephone.

Mr. Dilulis gave an overview of the Uniform Guidance Report presented:

- The financial audit and financial single audit showed no material weaknesses and no noncompliance issues.
- The single audit was unmodified with no material weaknesses. Two minor deficiencies must be disclosed with the findings reported on pages 12 and 15. With nearly \$43 million in federal awards as shown on page 6, the findings are small, but still must be reported to the federal government.
 - The first is failure to report student enrollment changes within 60 days. Controls are functioning as intended. Page 13 lists the condition and the result. Management agreed and provided a response with their corrective action plan.
 - The second finding relates to unclaimed funds. Out of ten students tested, two had unclaimed funds. Management's corrective plan was listed.

A question was asked if the corrective action closes the case. On next year's single audit, if there are no findings, it will be shown as remedied. The follow up has been completed. Trustee Boudreau stated these findings are reportable no matter the size but the good news is they are not significant. Financial aid is very complex. A \$4.50 refund and change of status dates are miniscule. Mr. Stephen Taksar, Vice President of Administration and Finance, stated that last year there were no findings and it is challenging to be 100% correct every year.

MOTION made by Trustee Martin, seconded by Trustee Alvarado, to accept the audit report on the audit procedures required pursuant to the Office of Management and Budget (OMB) Uniform Guidance for fiscal year ending June 30, 2019 as prepared by the firm of O'Connor & Drew, P.C., and to authorize the submission of this report to the Federal Audit Clearinghouse and to other parties as required by OMB Uniform Guidance and the Commonwealth of Massachusetts. There being no further discussion, **Motion passed unanimously.**

Committee Chair Boudreau brought forth the next agenda item and requested Mr. Taksar to give an update on the Associate Director for Risk Management search. Mr. Taksar stated a search was conducted over the summer to fill this position after working through the nuances of reporting and segregation of duties. After receiving approximately 12 applications, none of whom were highly qualified, a finalist was identified who had no risk management experience. It is difficult to find one person who could do both portions of the job well. Mr. Taksar is suggesting putting the position on hold for a short time while the restructuring on campus is evaluated and make a decision on how to go forward after the budget and Voluntary Separation Incentive Plan (VSIP) results were analyzed in the next four- to six-weeks. Risk management is a hard skill set to find and Trustee Alvarado offered her assistance with revising this job description. Any changes related to the whistleblower reporting is posted and is now part of the policy. Most institutions don't have a specific position doing this type of work, or they combine it in with another job and most are not doing internal audits. This is a hybrid position and very unique to the state university system. Audits are not being done right now and the enterprise risk management plan is not progressing because there is no one to do the work. Another option, though not ideal, is to contract out the internal audit work.

Committee Chair Boudreau brought forth the next agenda item and requested Mr. Alan Blair, Chief Information Officer, to give an update on Information Technology and Cybersecurity Observations from the FY19 Audit Report. Mr. Alan Blair discussed the action plan on the findings from the audit report.

- The main software is Banner and there are a few other programs that are external, such as the mannequins in the health sciences. Information Technology will send out software to remove privileges to download programs, which takes care of items number two and seven in the report.
- Data protection (items number 13 and 17) is being implemented to restrict removable media from computers and to provide security awareness and education. Human Resources is working on an onboarding process with security training.
- The timeline should be solidified by the end of December with the goal of accomplishing all plans by the end of the fiscal year.
- Some employees will find these plans difficult as they transition to new restrictions, but education needs to be provided to campus so everyone understands why the process is being implemented.

There being no further business, **MOTION** made by Trustee Landrau, seconded by Trustee Alvarado, to adjourn. **Motion passed unanimously.**

Meeting adjourned at 1:35 PM.

Attachments presented at this meeting:

- a. Draft of October 10, 2019 Minutes
- b. Information Technology and Cybersecurity Observations (Action Plan)
- c. Motion – Uniform Guidance Report
- d. Uniform Guidance Report (Draft)

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 December 11, 2019.

Lydia Martinez-Alvarez, Secretary

Date



Board of Trustees

April 30, 2020

MOTION

To engage the accounting firm of O'Connor and Drew, P.C. for FY20 audit services.

Kevin R. Queenin, Chair

Date



April 30, 2020

Mr. Paul Boudreau
Audit Committee Chair
Westfield State University
577 Western Avenue
Westfield, MA 01086

Dear Mr. Paul Boudreau:

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, 2020.

We will audit the financial statements of the University as of and for the year ended June 30, 2020, 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 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 designing, implementing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities. 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 2020.

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 2020 and to issue our reports no later than October 15, 2020. 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 \$84,500. An additional fee of \$4,500 will be included for each additional major program. 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 most recent 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*.

Meloney + Novotny LLC