



Board of Trustees

Audit Committee

January 18, 2023

Minutes

Via Zoom, in accordance with Massachusetts Gov. Charlie Baker's Executive Order Suspending Certain Provisions of the Open Meeting Law, G.L. c. 30A, § 20 dated March 12, 2020.

A live stream of the meeting for public viewing also took place on YouTube.

MEMBERS PARTICIPATING REMOTELY: Committee Chair Theresa Jasmin, Vice Chair William Reichelt, Secretary Dr. Gloria Williams, and Trustee George Gilmer¹

TRUSTEE GUESTS PARTICIPATING REMOTELY: Trustees Melissa Alvarado, Dr. Robert Martin, Chris Montemayor, and Ali Salehi

Also participating remotely were Westfield State University President Dr. Linda Thompson, Administration and Finance Vice President Stephen Taksar and Associate Vice President Lisa Freeman, as well as Mike Santolucito and Samantha Spezeski from The Boston Consortium (Consortium).

Board Chair Martin welcomed George Gilmer to the Board of Trustees and this committee and Committee Chair Jasmin called the meeting to order at 3:08 PM. A roll call was taken of the committee members participating as listed above and it was announced that the meeting was being livestreamed.

Mr. Taksar stated that the office of the Inspector General recommended the establishment of an internal audit office to report to the Board of Trustees, and a full-time position was created that combined internal audit and risk management functions and reported to the Board of Trustees and the Vice President for Administration and Finance. The position has been vacant for a few years.

- Although some sister universities have risk management and compliance positions, none have full-time internal audit positions.
- The Boston Consortium is a collaboration of eastern Massachusetts universities to leverage shared services in a unique way. The Audit Committee Charter allows outsourcing functions if the committee deems it appropriate.
- Two routine performance audits, which were managed and implemented by the office of the state auditor to determine compliance in state regulations and laws, have taken place in the last seven years.

FY23 Internal Audit Services Overview. Representatives from the Consortium gave a presentation on shared internal audit services as follows:

- They have five full-time staff members and report directly to audit committees.
- The services provided include general audits, special investigations, and consulting.

- Top risk areas include Bursar/Student Accounts, Payroll, Advancement, Top Contracts (Dining), and Accounts Payable. Many organizations also outsource specific IT audits.
- Annual Audit Plans are typically created in the spring using risk assessment.
- They are a resource and provide advice on future best practices for institutions.
- The audit process includes:
 - Planning
 - Fieldwork on campus
 - Audit report with management responses presented to senior executives and audit committee
 - Audit follow-up – informally through phone calls and formally in 3-6 months
 - Open issues matrix – a standing audit agenda item which is removed once completed

Answers to Committee Questions:

An audit typically takes 200-250 hours, which includes 100-125 hours of fieldwork and the rest being preliminary, scope, samples, information. If more than 300 hours is anticipated, it is better to break the scope into two audits. Projects can be scoped up or down in hours based on the institution's budget.

One-year plans are difficult. It is better to have a three-year rolling audit plan with the flexibility to change if needed. For schools that have enterprise risk management implemented, their internal audit can work off that. After the first few years, there needs to be a systematic approach on why risks are chosen to be audited.

Typical findings are in 1099-T calculations, payroll taxes, and student payroll. When guidelines or regulations change, there tend to be issues. Contract management is handled using their own attorneys. With procurement cards, there is a great deal of data mining for trends and fraud.

It will take some time for Administration and Finance staff to assist the Consortium but the tradeoff will be better. Timing and staying on schedule would be important. The Consortium has experience and knows best practices for higher ed.

Based on the hours estimated, Mr. Taksar and President Thompson have strategized to fund a pilot year of audit services for one year (split between this and next fiscal year) while working on a budget plan for 2024. It is important to ensure we are paying attention to issues of compliance and risk.

The Consortium does not currently have issues of staff retention. Because of collaboration, they can assign staff appropriately, having the flexibility to move timing of services if needed.

Comments from committee:

- It would be valuable to collaborate with the Consortium on an internal audit, allowing Administration and Finance to focus on compliance.
- The ability to implement an internal audit quickly with the Consortium, who are experts in higher ed, will help mitigate risk in the institution and will identify ways to be more efficient.
- It would be cost effective to use the Consortium for one year while the institution determines a long-term strategy on internal audits. There are no other state universities who have a full-time internal audit function; they have risk management and compliance embedded into other jobs. One area with a high risk profile is the bursar/student account area, which should be at the top of the list for consideration.
- The contract would be for one year with extensions if mutually agreed. The hourly rate is based on the scope of work, i.e. the number of hours needed. The hourly rate is \$159 per hour. For a 250-hour audit the cost would be just under \$40,000.

- The committee would create an audit plan with four-to-five areas to discuss with the Consortium and agree on two audits per year at approximately 250 hours per audit. The committee would vote to recommend to the full board an audit plan with an estimated cost for the year.

Motion – FY23 Internal Audit Services. Mr. Taksar

MOTION made by Trustee Williams, seconded by Trustee Jasmin, to recommend that the University enter into an agreement with the Boston Consortium for internal audit services. The agreement should be for one year. All University procurement procedures and policies will be followed in executing said agreement.

There being no further discussion, **ROLL CALL VOTE** passes motion unanimously with Trustees voting in the affirmative: Reichelt, Williams, and Jasmin.

At the next committee meeting, a topic for an internal audit will be selected.

There being no other business, **MOTION** made by Trustee Reichelt, seconded by Trustee Williams, to adjourn. There being no discussion, **ROLL CALL VOTE** passes motion unanimously with Trustees voting in the affirmative: Reichelt, Williams, and Jasmin.

Meeting adjourned at 4:25 PM.

Attachments presented at this meeting:

- a. FY23 Internal Audit Services Overview
- b. Motion – FY23 Internal Audit Services
- c. FY23 Internal Audit Services (Previous Internal Audits)

¹Trustee Gilmer has not yet been sworn in so will not be voting at this meeting.