



Board of Trustees

Audit Committee

11:00 a.m.
June 13, 2023

Tilia Fantasia Student Lounge, Woodward Center

A live stream of the meeting for public viewing will also take place on YouTube at the following link: <https://www.westfield.ma.edu/live>

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| 1. Called to Order | Trustee Jasmin |
| 2. Minutes | |
| a. April 25, 2023 | Trustee Jasmin |
| 3. Items for Action | |
| a. Motion – Annual Review of Audit Committee Charter | Trustee Jasmin |
| 4. Items for Discussion | |
| a. Financial Audit Services for FY23 (Planning Presentation) | WithumSmith & Brown, PC |
| b. Risk Management Update | Stephen Taksar/Tom Kettle |
| 5. Items for Information | |
| a. FY23 Internal Audit Update | Stephen Taksar/Lisa Freeman |
| b. Next Internal Audit | Trustee Jasmin |

Attachment(s):

- a. Minutes 4-25-23 (Draft)
- b. Motion – Annual Review of Audit Committee Charter
- c. Annual Review of Audit Committee Charter (Draft)
- d. Financial Audit Services for FY23 (Planning Presentation)
- e. Risk Management Update
- f. Next Internal Audit



Board of Trustees

Audit Committee

April 25, 2023

Minutes

Scanlon Banquet Hall A

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

MEMBERS PRESENT: Committee Chair Theresa Jasmin, Vice Chair William Reichelt, Secretary Dr. Gloria Williams, and Trustee George Gilmer

TRUSTEE GUESTS PRESENT: Board Chair Dr. Robert Martin and Trustees Chris Montemayor and Ali Salehi

Also present and participating were Westfield State University President Dr. Linda Thompson, Administration and Finance Vice President Stephen Taksar and Associate Vice President Lisa Freeman, as well as Director of Emergency Preparedness and Response Tom Kettle.

The meeting was called to order at 12:34 PM by Committee Chair Jasmin.

MOTION made by Trustee Reichelt, seconded by Trustee Williams, to approve the minutes of the January 18, 2023, meeting. There being no discussion, **Motion passed unanimously.**

MOTION made by Trustee Reichelt, seconded by Trustee Williams, to approve the minutes of the February 7, 2023, meeting. There being no discussion, **Motion passed unanimously.**

Engagement of Financial Audit Services for FY23

Ms. Freeman reported the University's audit firm O'Connor and Drew, P.C., merged with the audit firm WithumSmith and Brown, P.C., as of January 1, 2023. O'Connor and Drew, P.C., was awarded a three-year contract. We are in the third year of the contract. There is no difference in terms of service or scope of work provided, given the merge between the two audit firms.

MOTION made by Trustee Reichelt, seconded by Trustee Williams, to engage the financial audit services of WithumSmith & Brown, PC, for FY23. There being no discussion, **Motion passed unanimously.**

Annual Review of Audit Committee Charter

Chair Jasmin reported the Audit Committee has a policy rather than a charter. The reason for this is unknown but suspected to be a result of a past inspection by the Office of the Inspector General (OIG). Chair Jasmin is confident the committee can move from a policy to a charter. The committee reviewed a draft of the committee charter. It was suggested if the policy is eliminated, it should be backfilled by another policy that includes the responsibilities of university management.

FY23 Internal Audit Update

The Boston Consortium has started their audit of Student Accounts. They have met with Student Accounts to review processes and procedures. An initial request for information has been received and provided.

Risk Management Update

The committee watched a brief video from United Educators on *Implementing ERM Programs for Leaders in Higher Education*. The video highlighted what enterprise risk management (ERM) is in higher education.

Mr. Kettle spoke to the enterprise risk management (ERM) plan the University developed in 2018. Due to personnel leaving and COVID-19, progress in ERM has been slow since 2018. The plan needs to be reviewed and updated to identify current risks. ERM should also be incorporated into the University's strategic plan.

There being no other business, **MOTION** made by Trustee Reichelt, seconded by Trustee Williams, to adjourn. There being no discussion, **Motion passed unanimously.**

Meeting adjourned at 1:29 PM.

Attachments presented at this meeting:

- a. Minutes 1-18-23 (Draft)
- b. Minutes 2-7-23 (Draft)
- c. Motion – Engagement of Financial Audit Services for FY23
- d. Engagement of Financial Audit Services for FY23
- e. Annual Review of Audit Committee Charter (Track Changes)
- f. Annual Review of Audit Committee Charter (Clean)
- g. FY23 Internal Audit Update
- h. Risk Management Update
- i. Link to Video: Risk Management

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 April 25, 2023.

Dr. Gloria Williams, Secretary

Date



Board of Trustees

June 13, 2023

MOTION

To approve and adopt the Westfield State University Board of Trustees amended Audit Committee Charter, as presented.

Robert A. Martin, Ph.D., Chair

Date



**BOARD OF TRUSTEES
AUDIT COMMITTEE
CHARTER**

I. Mission

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 a transparent manner. 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. Authority and Responsibilities

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. The Audit Committee will also evaluate the performance of the University's internal auditing staff as it directly relates to internal audit functions. 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:

Independent External Audits

1. 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.
2. 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.

3. 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.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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.

Internal Audit

1. The Audit Committee shall review the internal audit function of the University, including the independence and authority of its reporting obligations, the proposed audit plans for the coming year and the coordination of such plans with the independent auditors.
2. The Audit Committee shall determine, with consultation from the University's leadership, whether the internal audit function may be performed by a staff internal auditor or may be outsourced to a third party, as deemed appropriate.
3. The Audit Committee shall recommend, with consultation from the University's leadership, the appointment, replacement, reassignment or dismissal of the University's internal auditor as may be warranted.
4. 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.
5. 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.
6. 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.

Other Responsibilities

1. The Audit Committee shall oversee the University's administration of the University's conflict of interest policy.
2. The Audit Committee shall establish procedures for the confidential, anonymous submission by University staff and administration of concerns regarding questionable accounting or auditing matters.
3. The Audit Committee shall review the regulations and current audit trends and requirements and recommend appropriate policy and practice applications to University administration.
4. 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.

5. 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.
6. 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.

III. Organization

Review of Charter

This charter shall be reviewed and reassessed by the Audit Committee annually, prior to June 30th.

Membership/Structure/Quorum

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 Financial Affairs and Advancement Committee. The Audit Committee chairperson shall be appointed by the Board chairperson.

Staff Liaison

The president shall designate a member of the University's senior administration to serve as a liaison to the Audit Committee.

Meetings

The Audit Committee shall, at a minimum, meet in advance of each Board of Trustees meeting, unless the committee chairperson and Board chairperson determine that a meeting is not necessary. A quorum of any meeting of the Audit Committee shall consist of a majority of its voting members. Committee members may participate by teleconference as permitted by state laws. All meetings will conform to Massachusetts open meeting laws. Meeting materials will be posted on the University's website within 14 days after each committee meeting.

Agenda, Minutes and Reports

The chair, in collaboration with the staff liaison, shall be responsible for establishing the agenda for each meeting. An agenda, together with relevant materials, shall be provided to committee members at least five days in advance of the meeting. Minutes for all meetings shall be drafted by the staff liaison or designee, reviewed by the committee chair, and approved by committee members at the following meeting.

Westfield State University

Audit Committee Meeting
June 13, 2023



25 Braintree Hill Office Park, Suite 102
Braintree, MA 02184
617.471.1120

Audit Staff

- David A. Dilulis, CPA, Engagement Partner
- Ryan Sheehan, CPA, Audit Partner
- Kate Jun, CPA, Audit Manager
- Steven Cohen, CPA, Quality Control Partner
- Lauren Carnes, CPA, Tax Partner

Audit Responsibilities

- Our Responsibilities Include:
 - ❑ Forming and expressing an opinion on the fairness of the financial statements
 - ❑ Communicating significant matters related to the audit engagement
 - ❑ Forming and expressing an opinion on the supplementary information
 - ❑ Reporting under Government Auditing Standards
 - ❑ Reporting on compliance and internal control over compliance related to major federal programs

(Note: a complete list of responsibilities is included within the engagement letter)

Audit Responsibilities

- Those Charged with Governance Responsibilities Include:
 - ❑ Overseeing the financial reporting process
 - ❑ Overseeing the strategic direction of the University
 - ❑ Appointing the auditors and overseeing our work
 - ❑ Informing us of all known or suspected fraud involving the University
 - ❑ Resolving disagreements between management and the audit team

Audit Responsibilities

- Management's Responsibilities Include:
 - ❑ Making all management decisions
 - ❑ Preparing and presenting financial statements in conformity with U.S. GAAP
 - ❑ Allowing us access to all financial records
 - ❑ Selecting and applying appropriate accounting policies
 - ❑ Safeguarding of all assets
 - ❑ Adjusting financial statements to correct material misstatements
 - ❑ Complying with laws and regulations, contracts, agreements, and grants
 - ❑ Providing us with a written representation letter
 - ❑ Tracking the status of audit findings and recommendations, if applicable

Deliverables

- Audited Financial Statements
- Single Audit Report
- Management Letter – if deemed necessary

Key Dates

- April 25, 2023 Engagement Letter Signed, Audit Committee Planning Meeting
- June/July 2023 Preliminary Audit Work – Planning/Testing
- August 2023 Audit Fieldwork
- Early October 2023 Draft Financial Statements
 - Discussion of Draft Financial Statements with the Audit Committee
 - Review Management letter (if necessary) and the results of the Single Audit
 - Finalize Financial Statements
- October 2023 Finalize Single Audit Report

Audit Approach

Planning

- Internal controls – documentation and systems walkthroughs
 - Cash disbursements (credit cards) / expenses
 - Cash receipts / student & grant / donation revenues
 - Payroll
 - Student Financial Aid & other major Single Audit programs, if necessary
- Preliminary analytics and development of expectations
- Discussions with management to document any new or updated policies or procedures, and significant transactions
- Discussions with audit committee members as to any additional procedures/concerns and potential areas of additional testing

Audit Approach-Continued

Year End Field Work – Key Areas Expected to Include:

- Existence and valuation of receivables and reserves
- Student loans and related reserves
- Testing of significant capital expenditures, projects
- Cut-off related to completeness of liabilities
- Valuation of Pension and OPEB related liabilities
- Compliance and control testing related to federal funds (SFA & other major programs if necessary)
- Evaluation of the completeness and accuracy of presentation of the financial statements and footnote disclosures.

Audit Risks

- As part of our audit planning, we have identified the following as significant risks of material misstatement:
 - ❑ Management override of controls/improper revenue recognition due to fraud.
 - ❑ Management's ability to make significant accounting estimates and the assumptions included in those estimates.
 - ❑ New, significant or unusual transactions are not properly recognized and recorded due to error or fraud.
 - ❑ Related party transactions.
 - ❑ Adoption and presentation of GASB 96, *Subscription-based Information Technology Arrangements*.
 - ❑ Management does not record and/or disclose significant litigation or subsequent events.

Single Audit

- **Office of Management and Budget (OMB) Uniform Guidance** is the Federal law that governs the spending of Federal funds for governmental units
- OMB requires an audit if an organization spends more than \$750,000 of Federal funds per year
- The goal of the audit is to provide reasonable assurance to the Federal government that Federal funds are being spent as intended
- There were no findings from the prior year (FY 22) that require follow up on our part.

Fraud and Regulatory Matters

Our Approach:

- We will interview key personnel regarding knowledge of fraud
- Consideration of incentives, pressures, opportunities, and attitudes/tone at the top
- Follow up on matters, as necessary

Inquiries to Audit Committee:

- Is the committee aware of any fraud, suspected fraud or allegations?
- Does the committee have any concerns about specific exposures to fraud or accounts that may be susceptible to fraud?
- Has management discussed internal control to prevent, detect and deter material fraud with the committee?
- Any communications from regulators (IRS, DOL, etc)?
- Are there any other risks/areas of concern?

Relationship and Independence

- ❑ We are engaged to audit and prepare tax filings for the Foundation
- ❑ No consulting services outside of routine advice relative to accounting and tax matters
- ❑ No known roles of our staff or their relatives in any management or oversight role
- ❑ No known financial interrelationships of the firm or its staff with the University or Foundation

New GASB Pronouncements

- GASB Statement 96 – *Subscription-Based Information Technology Arrangements (SBITA)* is effective for periods beginning after **June 15, 2022**. Implementation of this standard will require an entity with contracts with another party to record a right to use their software and a corresponding liability. It provides for an election on SBITAs with terms of less than twelve months to be excluded from this Statement.

Peer Review Report



Report on the Firm's System of Quality Control

January 4, 2023

To the Shareholders of WithumSmith+Brown, PC
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of WithumSmith+Brown, PC (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended June 30, 2022. 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 on 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 and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of 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 on in conformity with the requirements of applicable 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 and compliance with the firm's system of quality control based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans; and examinations of service organizations (SOC 1[®] and SOC 2[®] engagements).

As a 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 WithumSmith+Brown, PC applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended June 30, 2022, 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*. WithumSmith+Brown, PC has received a peer review rating of *pass*.

Cherry Bekaert LLP

Cherry Bekaert LLP

cbh.com

Questions/Concerns

- Other questions, concerns, or specific issues to be reviewed as part of the audit engagement:
 - ❑ Are there any areas of concern or other areas that you would like us to investigate further?
 - ❑ Other?

Enterprise Risk Management Moving Forward

- Met with BOT on 25 April 2023
 - Discussed ERM and its importance to the University.
 - Committee watched ERM Video from United Educators.
 - Discussed next steps moving forward.
- Director Kettle Set up a TEAMS Site for ERM to work on task management and compile documents.
 - 2018 archived materials.
 - 2023 working documents.
 - Site set up to collaborate and track progress.
- Next steps
 - Discuss questions with BOT.
 - *What are the roles and responsibilities of the board of trustees regarding their oversight responsibilities for enterprise risk management?*
 - *What are the expectations that the board of trustees have regarding expectations of management for enterprise risk management?*
 - *What information does the board require or expect regarding risk management at the university?*
 - Roles defined in 2018
 - BOT
 - Ensure that management is devoting the appropriate attention and resources to ERM and is setting the right tone for ERM.
 - Board Committees: Oversee top 10 risks to provide assurance to the full board that its potential impact or likelihood of occurrence hasn't changed to any significant extent (or if it has, that management has responded accordingly) and related risk mitigation activities continue to be adequate.
 - Audit Committee: Oversee the ERM process and provide assurance to the full board that risks are being assessed by management with appropriate levels of frequency and diligence.
 - Cabinet
 - Responsible for the ERM process.
 - Establish priorities and objectives for the University and identify the top risks that could prevent the University from achieving its objectives.
 - Review risk management plans completed by risk teams.
 - Secure resources and funding as needed to mitigate the top University risks.
 - Coordinate to ensure that risks, responsibilities, and control activities are communicated to the appropriate members of the campus community.
 - Provide guidance to ensure that teams complete tasks, and review reports before submission to the Board.

- Review and Refine Risks with Cabinet
 - Establish top 10
 - Share with stakeholders
 - prioritize the most critical 3-4 Risks that cross divisional barriers.
 - Brief Board of Trustees with action plan.
- Review and Refine Implementation Plan to include a sustainment plan.
- Identify Team suited for specific Risk.
 - Includes Risk Manager and Risk Champions.
- Establish timeline.
- Treat Risks



To: Audit Committee, Westfield State University
From: Samantha Spezeski, *Director of Internal Audit*
CC: Stephen Taksar, *Vice President for Administration and Finance*
Date: February 7, 2023
Subject: Potential Internal Audit Projects

Areas to Consider

Bursar/Student Accounts (250 hours)

- Understand and document the process and controls of student accounts/bills
 - How are charges approved
 - Charge reversals and associated approvals
 - Billing accuracy
 - Interfaces with other departments, i.e., housing, dining, parking
- Controls around the payment and refund process
- Cash Handling
- Credit Balances
- IRS Requirements, 1098T Process and Calculation
- Policies and Procedures Outstanding Balances
- Confidentiality Policies

Grants (250 Hours)

Pre/Post Award Processes and Controls:

- | | |
|---|---|
| <ul style="list-style-type: none"> • Proposals • Reporting structure • Deadlines and timing • Budget creation • IDS rates • Award acceptance • Award setup • Inter-Department communication • Authorized signers | <ul style="list-style-type: none"> • Record retention • Close out procedures • Problematic Principal Investigators (PI's) • Payables/Receivables/Aging • Deliverables • Authorized signers • Department staff responsibilities • Programmatic reporting |
|---|---|

Procurement Card (175 Hours)

- Understand and document the process and controls of how procurement transactions are recorded and approved
- Review documented policies, procedures, training materials for procurement cardholders
- Data Mine the entire population and select samples based on higher risk transactions to review for compliance with polices
- Other specific institution controls for the process

Anyone of the following three projects would have to be tailored for controls at the institution level

Accounts Payable

Procurement

Payroll

Objectives and Scope

The objective of the audit is to analyze and to assess the effectiveness of controls over the Project that will be selected. Our audit techniques typically include, but are not limited to, interviews, data analysis, the review of documentation in support of transactions, and physical observations of processes and assets.

Audit Results and Timeframes

We will discuss findings with appropriate personnel during the course of the audit. We will make recommendations and work with the responsible personnel to identify corrective action(s) to be taken by management to address the issue(s). At the conclusion of our fieldwork, we will hold a structured exit conference to discuss aspects of the audit and our observations. We expect that a draft report would be issued shortly after the exit conference and you will have time to draft your responses for the final report to be distributed at the following Audit Committee meeting.



Board of Trustees

June 13, 2023

MOTION

To engage with the Boston Consortium Group for an audit of grants to begin in the fall semester of 2023.

Robert A. Martin, Ph.D., Chair

Date