



**Board of Trustees**  
Audit Committee

1:00 PM  
June 25, 2020

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- |   |                         |
|---|-------------------------|
| <b>1. Call to Order</b>                           | Trustee Boudreau        |
| <b>2. Minutes</b>                                 |                         |
| a. April 30, 2020                                 | Trustee Boudreau        |
| <b>3. Items for Information</b>                   |                         |
| a. None   |                         |
| <b>4. Items for Discussion</b>                    |                         |
| a. FY20 Audit Plan Presentation                   | O'Connor and Drew, P.C. |
| b. Internal Audit Function                        | Stephen Taksar          |
| c. Office of the State Auditor: Performance Audit | Stephen Taksar          |
| <b>5. Items for Action</b>                        |                         |
| a. None   |                         |

**Attachment(s):**

- a. Minutes 4-30-20 (Draft)
- b. FY20 Audit Plan Presentation
- c. Office of the State Auditor (Engagement Letter)



## Board of Trustees

Audit Committee

April 30, 2020

Minutes

### Meeting held virtually 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.

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**MEMBERS PARTICIPATING REMOTELY:** Committee Chair Boudreau, Vice Chair Landrau, Secretary Martinez-Alvarez, and Trustees Alvarado and Martin

**TRUSTEE GUESTS PARTICIPATING REMOTELY:** Trustees Magovern, Neves, Queenin, and Williams

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

The meeting was called to order at 9:52 AM by Committee Chair Boudreau.

**MOTION** made by Trustee Martin, seconded by Trustee Landrau, to approve the minutes of the December 11, 2019 meeting.

**ROLL CALL VOTE** taken:

Trustee Alvarado	Yes
Trustee Boudreau	Yes
Trustee Landrau	Yes
Trustee Martin	Yes
Trustee Martinez-Alvarez	Yes

**Motion passed unanimously.**

At the request of Committee Chair Boudreau, Mr. Taksar brought forward the following items for information.

Associate Director, Risk Management Position. There was not a strong pool of candidates for this position and no one with relative risk experience applied. Given what is happening on campus with COVID-19, the recommended approach is to put this position on hold until more is known about the FY21 budget. This will be an ongoing conversation once the landscape is known for the fall.

Internal Controls. This was added to the agenda because of the recent cyber security loss of \$1.75 million of state funds. This is an ongoing investigation, so it cannot be commented on, but the following was shared:

- Internal procedures have been evaluated and updated regarding wire transfers and managing vendor data.
- Changes in procedures for appropriate management approval of vendor databases and disbursement of funds have been made.
- Auditors have been requested to review internal procedures to assure they offer safe practices in the industry. Cyber threats are nonstop and getting more intense.
- All but \$10,000 was recovered and the Massachusetts State College Building Authority (MSCBA) provided us with the remaining \$10,000, so the full amount was received back.
- Mr. David Dilulis of O'Connor and Drew stated that as part of the internal control review they will look at the changes made to the procedures and if further investigation is required, that would be a separate engagement.

Discussion moved to the audit firm selection.

**MOTION** made by Trustee Boudreau, seconded by Trustee Alvarado, to engage the accounting firm of O'Connor and Drew, P.C. for FY20 audit services.

Discussion: Mr. Dilulis introduced the new audit manager, Mr. Zach Laflash, CPA, a graduate of Westfield State. The year-end planning tentatively scheduled for the first week of June will include internal controls, all cycles, and EFT policies. They will return in August to finish the work. The state has not announced whether they will be postponing the October 15 deadline for the audit submission. A single audit engagement is being provided this year and the engagement letter is very similar to previous letters. It was asked if anyone was aware of any fraud besides the cybersecurity issue. There was none. Performing the audit remotely should not be an issue. They have a secure ShareFile and Dropbox to transfer documents to and from the University.

**ROLL CALL VOTE** taken:

Trustee Alvarado	Yes
Trustee Boudreau	Yes
Trustee Landrau	Yes
Trustee Martin	Yes
Trustee Martinez-Alvarez	Yes

**Motion passed unanimously.**

There being no further business, **MOTION** made by Trustee Martinez, seconded by Trustee Landrau, to adjourn.

**ROLL CALL VOTE** taken:

Trustee Alvarado	Yes
Trustee Boudreau	Yes
Trustee Landrau	Yes
Trustee Martin	Yes
Trustee Martinez-Alvarez	Yes

**Motion passed unanimously.**

Meeting adjourned at 10:10 AM.

Attachments presented at this meeting:

- a. Draft Minutes of December 11, 2019 Audit Committee Meeting

- b. Motion – FY20 Audit Firm Selection
- c. Engagement Letter

**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 30, 2020.

\_\_\_\_\_  
Lydia Martinez-Alvarez, Secretary

\_\_\_\_\_  
Date

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# Westfield State University

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Audit Committee Meeting  
June 25, 2020



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

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# Audit Staff

- David A. Dilulis, CPA, Engagement Partner
- Steven Cohen, CPA, Quality Control Director
- Zachary Laflash, CPA, Audit Manager
- Andrew Charles, CPA, Audit Senior
- Lauren Carnes, CPA, Tax Partner
- Michael Hammond, IT Director

# 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 (SFA)

*(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

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# Deliverables

- Audited Financial Statements
- Single Audit Report (Federal Financial Aid)
- Management Letter – if deemed necessary

# Key Dates

- April 30, 2020  
Engagement Letter Signed, Audit Committee Planning Meeting
- June 1 - 5, 2020  
Preliminary Audit Work – Planning/SFA Testing
- August 10 - 21, 2020  
Audit Fieldwork
- Late Sept – Early Oct, 2020  
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 2020  
Finalize Single Audit Report

# Audit Approach

## Planning

- Internal controls – documentation and systems walkthroughs
  - Cash disbursements (credit cards) / expenses
    - Note- To take a closer look at the University's electronic payment process roughly half of the FY2020 sample is comprised of EFT's.
  - Cash receipts / student & grant / donation revenues
  - Payroll
  - Student Financial Aid
- Preliminary analytics and development of expectations
- Discussions with management to document any new or updated policies or procedures, and significant transactions

# 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)
- Evaluation of the completeness and accuracy of presentation of the financial statements and footnote disclosures.

# 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 two findings from the prior year (FY 19) that require follow up on our part.
  - -Student enrollment changes reported to the NSLDS within 60 days (One instance from a sample of forty)
  - -Checks outstanding in excess of 240 days. Two instances out of a sample of ten.

# 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

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# New GASB Pronouncements

- GASB Statement 84 – Fiduciary Activities is effective for periods beginning after **December 15, 2019**. The objective of this Statement is to establish criteria for identifying fiduciary activities. Activity meeting the established criteria would then be presented in a statement of net position and a statement of changes in net position. Pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds and custodial funds would be reported, as applicable, according to this Statement. Information of component units of a primary government would be shown in the aggregate with the fiduciary funds of the primary government. Under this Statement, a liability could be recognized to the beneficiaries in a fiduciary fund if the government has been compelled to disburse fiduciary resources.
  - **Mass. Comptroller elected to early implement for FY2020. WSU has to implement and reflect on their FY2020 Financial Statements.**

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# New GASB Pronouncements

- GASB Statement 87 – *Leases* is effective for periods beginning after **June 15, 2021**. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this Statement.

# 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?



SUZANNE M. BUMP, ESQ.  
AUDITOR

# The Commonwealth of Massachusetts

## AUDITOR OF THE COMMONWEALTH

65 BOSTON POST ROAD WEST, SUITE 300  
MARLBOROUGH, MA 01752

TEL (617) 727-0025  
FAX (617) 727-7855

2020-0185-3E

June 8, 2020

Dr. Ramon S. Torrecilha, President  
Westfield State University  
577 Western Avenue  
Westfield, MA 01085

Dear Dr. Torrecilha:

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we will be conducting a performance audit of Westfield State University. In government, a performance audit is designed to examine efficiency and effectiveness of a program, with the goal of implementing improvements. We intend to start this audit on or around June 8, 2020.

The Generally Accepted Government Auditing Standards (GAGAS), commonly referred to as the "Yellow Book", are produced in the United States by the Government Accountability Office (GAO). The standards apply to both financial and performance audits of government agencies. Our audit will be conducted in accordance with these standards and will include but not be limited to information systems security controls and administration of transfer students for the period of October 1, 2018 through March 31, 2020.

As you may know, Chapter 11, Section 12, of the General Laws requires organizations being audited provide our audit team with books, documents, and other records pertaining to the audit. We will also make inquiries regarding audit issues with the members of your staff responsible for the functions involved in this audit. If you would like to have a member of your management team meet with our data analytics unit for a better understanding of the process and what may be expected regarding the accuracy, completeness and security of the information we are requesting, please contact our data analytics unit upon receipt of this letter at (857) 242-5580. We ask that all requested records and information be made available to us within 72 hours of the date of the request. Also, we ask that you allow inquiries with your staff to be completed as expeditiously as possible. As part of our audit process, we also may request from management, written confirmation of statements your staff made to us during the audit.

At the completion of our audit, we will provide your agency with a draft copy of our audit report for your review and comments. Your comments should be forwarded to us within 15 days of notification. Also, if you would like a formal exit meeting please request the meeting at this time.

Michael Gagan of our staff will contact you to make arrangements for an entrance conference to be scheduled the week of June 8, 2020. He can be contacted at (857) 242-5710 if you have any questions.

Sincerely,

Matthew C. Robidoux  
Audit Manager  
Office of the State Auditor

cc: Kevin R. Queenan, Chair, Westfield State University Board of Trustees  
Stephen Taksar, Vice President – Admin. and Finance, Westfield State University  
Lisa Freeman, Associate Vice President – Admin. and Finance, Westfield State University  
William Kaplita, Audit Director, Office of the State Auditor  
Michael Gagan, Auditor in Charge, Office of the State Auditor  
Michael Ruane, Legal counsel, Office of State Auditor  
Alicia Daniel, Legal counsel, Office of State Auditor  
Abigail Durland, Legislative Affairs Coordinator, Office of State Auditor  
Kimberly Stanley, Audit Planning Manager, Office of State Auditor  
Robert Birmingham, Data Analytics Unit, Office of the State Auditor

2020-0185-3E

ATTACHMENT

Westfield State University  
Audit Data/Information Request  
October 1, 2018 – March 31, 2020

We request that the following documents be provided in electronic format, if practical, submitted to Michael Gagan at the following email address: michael.gagan@sao.state.ma.us

1. Internal control plan for FY 2019 & 2020
  - a. Please include any risk assessments conducted during fiscal years 2019 and 2020
2. Organizational chart – entity wide
3. Audited financial statements and OMB circular A-133 audits –fiscal years 2019 and 2020
4. Board of Trustee minutes – October 1, 2019 to March 31, 2020
  - a. Sub-committee minutes (Finance, audit, etc.) October 1, 2019 to March 31, 2020
5. Information technology policies and procedures
  - a. Information security policy
  - b. Data facility management
  - c. Security control activities to prevent, detect and mitigate cyber-risks
6. Annual Internal Control Questionnaire submitted – fiscal years 2019 and 2020
7. Policies and procedures (if any) related to the administration on transfer students, particularly from MA community colleges.
8. Investigations or legal proceedings from the audit period