

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of the
Audit-Finance/Human Resources Committee Meeting

April 24, 2018

The Human Resources Committee and the Audit-Finance Committee of the Board of Directors of the State of Connecticut Health and Educational Facilities Authority met in joint session on Wednesday, April 24, 2018 at 11:30 a.m.

The meeting was called to order by Mr. Mark Varholak, Committee Chair, Audit-Finance Committee at 12:05 p.m. and, upon roll call, those present were as follows:

PRESENT: Michael Angelini, Chair, Human Resources Committee
Mark Varholak, Chair, Audit-Finance Committee¹
Anne Foley
Peter W. Lisi, Board Chair
Barbara Rubin

GUESTS Katharine Balukas, BerryDunn²
Robert Smalley, BerryDunn

ALSO PRESENT: Jeanette Weldon, Executive Director
Denise Aguilera, General Counsel
JoAnne Mackewicz, Controller
Eileen MacDonald, Senior Transaction Specialist
Cynthia Peoples, Managing Director
Kelli Petrone, Administrative Assistant
of the Connecticut Health and Educational Facilities Authority

¹ Mr. Varholak attended the meeting via conference telephone that permitted all parties to hear each other.

² Ms. Balukas attended the meeting via conference telephone that permitted all parties to hear each other.

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APPROVAL OF MINUTES – COMBINED COMMITTEE MEETING OF APRIL 18, 2018

Mr. Varholak requested a motion to approve the minutes of the April 18, 2018 Combined committee meeting of the Audit-Finance and Human Resources Committees.

Mr. Angelini moved to approve the minutes. Mr. Lisi seconded the motion.

Upon roll call, the “Ayes”, “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini Peter Lisi Barbara Rubin Mark Varholak	None	Anne Foley

ELECTION OF HUMAN RESOURCE COMMITTEE CHAIR

Mr. Lisi requested a motion to nominate Michael Angelini to Chair of the Human Resource Committee. Ms. Rubin seconded the motion.

Upon roll call, the “Ayes”, “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini Anne Foley Peter Lisi Barbara Rubin	None	None

INTERNAL AUDIT ENGAGEMENT REPORTS

Mr. Varholak thanked Mr. Rob Smalley and Katie Balukas of Berry Dunn for their work on the internal control audits and stressed the value of their work with the Authority.

Mr. Varholak asked if we should consider, even with the challenges of a small office, a final review of payroll higher than Managing Director level. Ms. Peoples stated that changes have already been made to install an additional level. She explained that an individual employee can now initiate personal payroll changes with regard to withholdings, deductions and direct deposits, Ms. Mackewicz and Ms. Peoples both receive notification of the change. Ms. Mackewicz acknowledges the change and reviews that the change appears implemented as requested by the employee. Change reports are also reviewed by Ms. Peoples when payroll is finalized.

Ms. Peoples explained the processes already implemented in support of the human resource and payroll processing function recommendations related to the BerryDunn findings. A discussion ensued.

Mr. Varholak asked if the findings had an impact on the internal audit forward calendar and when these functions would be reviewed again. Mr. Smalley indicated that it did not and further internal changes, related to the implementation of the accounting system, would impact these functions. It was acknowledged that the forward calendar would be reviewed in more detail at the Audit-Finance committee meeting next month as it relates to the impact of the accounting system implementation.

Mr. Varholak requested a motion to accept the BerryDunn reports. Ms. Rubin made the motion and Mr. Lisi seconded.

Upon roll call, the “Ayes”, “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini Anne Foley Peter Lisi Barbara Rubin Mark Varholak	None	None

**PROPOSED MODIFICATION TO THE MEMORANDUM OF AGREEMENT
SCHEDULE A DOCUMENTS FOR CHEFA SUBSIDIARIES – CHESLA, CSLF AND
CHEFA CDC**

Mr. Varholak introduced the proposed modifications to the Memorandum of Agreements for CHEFA subsidiaries, which included a proposal to eliminate the allocation of employee benefits to the agreements. Currently benefit costs are allocated pro rata based on the hours worked by CHEFA staff on subsidiary matters. Mr. Varholak indicated his preference that Management be consistent across the subsidiaries in its Agreements. Ms. Rubin had a question regarding the proportionate allocation of benefit costs to the subsidiaries and how it would be captured. Ms. Weldon explained the rationale behind the proposed change is that the fringe benefit costs for CHEFA staff will be incurred regardless of the existence of the subsidiaries. Additionally, the proposal is in consideration of the cost impact on the modest bottom line of the subsidiaries.

Ms. Rubin stated that removing these costs would result in an inaccurate reflection of the costs of operating the subsidiaries and that CHEFA could, at the parent level, provide additional funding to the subsidiaries if it chose to do so. A discussion ensued and there was consensus that the allocation should not be removed. Ms. Peoples stated the remaining modifications for approval include a redistribution of the allocation of the cybercrime insurance policy and the inclusion of website related expenses for CSLF, which had been omitted inadvertently. Ms. Rubin made the motion to authorize the amendments to the Schedule A's of the Memorandum of Agreements, excluding the modification to benefits allocation. Ms. Foley seconded the motion.

Upon roll call, the "Ayes", "Nays" and "Abstentions" were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini Anne Foley Peter Lisi Barbara Rubin Mark Varholak	None	None

REVIEW OF THE FY 2020 PROPOSED HUMAN RESOURCE BUDGET

Ms. Peoples provided an overview of the FY 2020 Proposed Human Resources budget. She pointed out that CHEFA's proposed merit increase for the budget was set at 75% of the maximum standard scale for merit increases for both staff and officers. This results in a merit increase range of 0% to 3.75% for staff and 0% to 3.0% for officers. A discussion ensued.

Ms. Peoples stated that the FY 2020 compensation budget is 2.33% over the FY 2019 budget amount. Ms. Peoples further stated that the projected merit increase in salary compensation is 2.98%, with proposed labor grade adjustments accounting for an additional 0.47% average increase, resulting in a total salary increase of 3.45%. A discussion ensued.

Ms. Peoples reported the budget for medical and dental insurance premiums includes an increase of 12% and 5% commencing January 1, 2020. The increase in worker's compensation is related to employee classifications. A discussion ensued.

Ms. Foley inquired about the rationale for approving only the compensation portion of the budget at this time. Ms. Rubin stated that the process allows the Human Resource committee to review the compensation budget, as the largest component of the total budget, in advance of the Audit Finance committee approving the full budget. A discussion ensued.

Mr. Varholak asked that prior to the May committee meeting Ms. Peoples would provide the research, as requested by Ms. Foley, used to determine the reasonableness of the merit increase scales.

Mr. Angelini requested a motion to accept the proposed FY 2020 Human Resources budget to be recommended for inclusion in the budget that will go to the Audit Finance committee for consideration in May. Ms. Rubin made the motion and Ms. Foley seconded the motion.

Upon roll call, the "Ayes", "Nays" and "Abstentions" were as follows:

AYES

Michael Angelini
Anne Foley
Peter Lisi
Barbara Rubin
Mark Varholak

NAYS

None

ABSTENTIONS

None

Ms. Hammer joined the meeting at 1:11 p.m.

ADJOURNMENT

Ms. Angelini requested a motion to adjourn the meeting. Ms. Rubin moved to adjourn.

Mr. Lisi seconded the motion.

Upon roll call, the “Ayes”, “Nays” and “Abstentions” were as follows:

AYES

Michael Angelini
Anne Foley
Peter Lisi
Barbara Rubin
Mark Varholak

NAYS

None

ABSTENTIONS

None

The meeting adjourned at 1:20 p.m.

Respectfully submitted,

Jeanette W. Weldon

Executive Director