

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
Audit-Finance Committee Meeting Minutes
February 15, 2023

The Audit-Finance Committee of the State of Connecticut Health and Educational Facilities Authority held a meeting via videoconference and in-person on Wednesday, February 15, 2023.

The hybrid meeting was called to order by Ms. Susan Martin, Committee Chair, at 12:30 p.m. and, upon roll call, those present and absent were as follows:

PRESENT: Susan Martin, Committee Chair
Michael Angelini
Lawrence Davis
Peter W. Lisi, Board Chair
Sarah Sanders (*Designee for CT State Treasurer Erick Russell*)¹
Mark Varholak

ALSO, PRESENT: Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Rebecca Hrdlicka, Administrative Services Assistant
JoAnne Mackewicz, Controller
Michael F. Morris, Managing Director, Client Services
Julia Pollano, Operations Reporting Analyst²
Kara Stuart, Manager of Administrative Services
of the Connecticut Health and Educational Facilities Authority

INVITED GUESTS: Katharine Balukas, Senior Manager, BerryDunn³
Alan Goodwin, Manager, BerryDunn⁴
Robert Smalley, Principal, BerryDunn⁵

APPROVAL OF MINUTES

Ms. Martin requested a motion to approve the minutes of the November 16, 2022 meeting of the Audit-Finance Committee. Mr. Davis moved for approval of the minutes, which was seconded by Mr. Lisi.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

¹ Sarah Sanders participated in the meeting via teleconference that permitted all parties to hear each other.

² Julia Pollano participated in the meeting via teleconference that permitted all parties to hear each other.

³ Katherine Balukas participated in the meeting via teleconference that permitted all parties to hear each other.

⁴ Alan Goodwin participated in the meeting via teleconference that permitted all parties to hear each other.

⁵ Robert Smalley participated in the meeting via teleconference that permitted all parties to hear each other.

AYES

Lawrence Davis
Peter W. Lisi
Susan Martin
Sarah Sanders
Mark Varholak

NAYS

None

ABSTENTIONS

None

Mr. Angelini joined the hybrid meeting at 12:33 p.m.

RISK ASSESSMENT AND PROPOSED INTERNAL AUDIT SCHEDULE

Ms. Katharine Balukas, Mr. Alan Goodwin, and Mr. Robert Smalley, representatives from BerryDunn, gave a presentation on Internal Audit Services Risk Assessment. This presentation provided an overview on the following topics:

- Risk Assessment Approach, Classifications, and Fiscal Year Timelines
- Internal Audit Plan

Mr. Lisi inquired about the high, medium, and low ratings provided by BerryDunn. Ms. Balukas stated that, while Staff interviews were considered in determining these ratings, BerryDunn's expertise and industry knowledge ultimately determined the assignment of high, medium, and low ratings to each area listed.

Mr. Varholak inquired about the timeline of auditing grant programs, which Ms. Balukas said that the FFELP loans would be the focus of the grant programs auditing process and that, based on industry knowledge, BerryDunn does not believe that this area contains higher risk concerns to warrant a stricter timeframe of assessment. Ms. Balukas reported that the grant programs area, however, was left open to include any new initiatives that may arise before the FY 2024 proposed timeframe of assessment.

Mr. Varholak inquired about the arbitrage calculations. Ms. Weldon stated that Staff has engaged BLX Group to assess arbitrage risk. Ms. Weldon reported BLX Group has since been hired as a service provider and a review would only be necessary every two or three years.

Ms. Martin thanked BerryDunn for the informative presentation. At 12:50 p.m., Ms. Balukas, Mr. Goodwin, and Mr. Smalley left the hybrid meeting.

The floor was opened to questions and a brief discussion ensued.

Ms. Martin requested a motion for approval of the Risk Assessment and Proposed Internal Audit Schedule as presented by BerryDunn. Mr. Lisi moved for approval and Mr. Davis seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

AYES

Michael Angelini
Lawrence Davis
Peter W. Lisi
Susan Martin
Sarah Sanders
Mark Varholak

NAYS

None

ABSTENTIONS

None

IT INTERNAL AUDIT UPDATE

Mr. Blake reported on the status of recommended initiatives from two risk assessments provided by BerryDunn and Crowe, which are described as being in the “planning”, “in-progress”, “partially complete”, “implementation in-progress”, and “implemented and ongoing” stage. Mr. Blake reported on the activities, products, services, protocols, and/or tasks regarding the following initiatives:

- Threat and Vulnerability Management
- Logging and Monitoring
- Information Security Governance
- Configuration Management
- Change Management
- Business Continuity Management
- Logical Security

Mr. Davis inquired about phishing testing and protocols. Mr. Blake reported that phishing testing has been conducted through Microsoft Office365 and through Tokio Marine, but that Staff is very alert to phishing scams and pass testing. Mr. Blake expanded on the cybersecurity trainings offered to Staff, especially through Tokio Marine.

Mr. Lisi inquired about the information security procedures. Mr. Blake stated that, while protocols are still being drafted or finalized, documentation will be ongoing as new products or services are updated and formulized.

Mr. Lisi also inquired about the backup for CHEFA IT Staff. Mr. Blake reported on the services and protocols surrounding network infrastructure, cybersecurity, and hardware backups implemented at CHEFA including server backups, warm sites, and engagement with CTComp. Mr. Blake confirmed that the initiatives presented would continue to move forward if CHEFA IT Staff was disrupted.

Mr. Varholak inquired about the disaster recovery and downtime, and Mr. Blake clarified the details of the environment and backups that are established to allow for minimal downtime and optimal disaster recovery. Mr. Varholak also inquired about the IT insurance, which Mr. Blake clarified is through Tokio Marine and pricing has yet to be determined for the next renewal.

BUDGET MODIFICATION REQUEST

Ms. Weldon stated that Staff is required to obtain approval from the Board for budget modifications in excess of \$5,000 and reported on the budget modification request for the FY 2023 budget to cover the expenses associated with hiring an executive search firm. Ms. Weldon stated that \$34,000 is currently available in the budget for placement agent services, and Staff is seeking a modification of \$36,000 to bring the total budgeted expense for placement services to \$70,000.

Ms. Weldon stated that a request for proposal has already occurred for an executive search firm and that Korn Ferry has been selected from several proposals. The fee for the services will be approximately 34% of the salary, which align with industry standards.

The floor was opened to questions and a brief discussion ensued regarding candidate sourcing.

Ms. Martin requested a motion for approval of the Budget Modification Request as presented and the selection of Korn Ferry as the executive search firm. Mr. Varholak moved for approval and Mr. Lisi seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

AYES
Michael Angelini

NAYS
None

ABSTENTIONS
None

Lawrence Davis
Peter W. Lisi
Susan Martin
Sarah Sanders
Mark Varholak

REVISED AUDIT-FINANCE COMMITTEE CHARTER

Ms. Weldon reported on the changes proposed to the Audit-Finance Committee Charter, which largely encompass the cleanup of responsibilities between the Board and Management.

Ms. Martin requested that the review of the Audit-Finance Committee Charter be discussed annually.

Ms. Martin requested a motion for approval of the Revised Audit-Finance Committee Charter. Mr. Davis moved for approval and Mr. Angelini seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini	None	None
Lawrence Davis		
Peter W. Lisi		
Susan Martin		
Sarah Sanders		
Mark Varholak		

OTHER BUSINESS

Ms. Martin stated that the next Audit-Finance Committee Meeting is scheduled for April 19, 2023.

ADJOURNMENT

There being no further business, Mr. Davis moved to adjourn the hybrid meeting and Mr. Lisi seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini	None	None
Lawrence Davis		
Peter W. Lisi		

DRAFT

Susan Martin
Sarah Sanders
Mark Varholak

The meeting adjourned at 1:23 p.m.

Respectfully submitted,

Jeanette W. Weldon
Executive Director