

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Special Audit-Finance Committee Meeting Minutes

November 8, 2023

The Audit-Finance Committee of the State of Connecticut Health and Educational Facilities Authority held a special meeting via videoconference and in-person on Wednesday, November 8, 2023.

The special hybrid meeting was called to order by Ms. Susan Martin, Committee Chair, at 1:31 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 Varholak²

ALSO, PRESENT: Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Rob Blake, Manager of Information Technology & Cybersecurity³
Charles Bodie, Managing Director of Finance and Operations
Rebecca Hrdlicka, Administrative Services Assistant
Dan Kurowski, Manager of Program Development & CHEFA CDC⁴
JoAnne Mackewicz, Controller
Michael F. Morris, Managing Director, Client Services
Julia Pollano, Operations Reporting Analyst⁵
Kara Stuart, Manager of Administrative Services
of the Connecticut Health and Educational Facilities Authority

INVITED GUESTS: Katharine Balukas, Senior Manager, BerryDunn⁶
Alan Goodwin, Manager, BerryDunn⁷
Robert Smalley, Principal, BerryDunn⁸

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

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

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

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

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

⁶ Katherine Balukas participated in the meeting via teleconference that permitted all parties to hear each other.

⁷ Alan Goodwin participated in the meeting via teleconference that permitted all parties to hear each other.

⁸ Robert Smalley participated in the meeting via teleconference that permitted all parties to hear each other.

APPROVAL OF MINUTES

Ms. Martin requested a motion to approve the minutes of the September 20, 2023 meeting of the Audit-Finance Committee. Mr. Lisi moved for approval of the minutes, which was seconded by Mr. Davis.

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

AYES

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

NAYS

None

ABSTENTIONS

Michael Angelini⁹

INTERNAL AUDIT TESTING RESULTS

Ms. Martin introduced Ms. Katharine Balukas, Mr. Alan Goodwin, and Mr. Robert Smalley of BerryDunn. Ms. Balukas, Mr. Goodwin, and Mr. Smalley gave a presentation on the first and second quarters of 2024 internal audit results, which included an overview on the following topics:

- Areas in Scope
 - Child-Care Loan Programs
 - Bond Covenant Analysis, Identification, Monitoring, and Review
 - Student Scholarship Program
 - Oversight of Outside Vendors – CHESLA and CSLF Loan Programs
- Summary of Risk Ratings for Recommendations
- Recommendations
 - No new recommendations were given and several prior recommendations were resolved
 - One recommendation was “partially resolved” and management is moving forward with plan to fully resolve during current fiscal year.

Ms. Balukas reported on the upcoming audit schedule:

- Quarter 3: December 2023 to February 2024
 - Alliance District Teacher Loan Subsidy Program

⁹ Mr. Angelini abstained from voting as he did not attend the Audit-Finance Committee Meeting held on September 20, 2023.

- Bond Redemption
- Quarter 4: April to June 2024
 - Human Resources Policies and Procedures
 - Payroll
 - Information Technology

Ms. Balukas commented on the change in the audit schedule due to the upcoming office relocation and noted that the audit work on Information Technology (IT) will be moved from the 3rd quarter to the 4th quarter.

Ms. Martin thanked BerryDunn for their efforts and report. Ms. Balukas, Mr. Goodwin, and Mr. Smalley left the hybrid meeting at 1:48 p.m.

Mr. Bodie commented on the positive results of the internal audit report results and the upcoming focus on IT. Ms. Martin thanked staff for their hard work on these findings.

Mr. Bodie stated that BerryDunn and Crowe had various IT recommendations in past audits, and Staff has been working on improvements to resolve these recommendations.

INFORMATION TECHNOLOGY UPDATES

Disaster Recovery as a Service (DRaaS)

Mr. Blake noted that the IT department has addressed many of the recommendations from BerryDunn. Mr. Blake reported that the Authority recently decommissioned their physical data center in New Jersey and virtualized the site, which will give IT staff a virtual copy of their disaster recovery site. This change provides the Authority with better business continuity and infrastructure.

Threat and Vulnerability Management

Mr. Blake noted that there were several recommendations from BerryDunn and Crowe when testing for vulnerabilities across 30 instances (i.e., servers in the environment). Mr. Blake provided a detailed overview on the following topics:

- Vulnerability scanning and automated patch management
- Annual penetration testing
- Continued staff training

- Two-factor and multi-factor authentication
- Implementing a SOC (Security Operations Center) and SIEM (Security Incident and Event Management system)
- Migrating from unsupported operating systems

Legacy Operating Systems

Mr. Bodie stated that staff is migrating off the 2008 operating system that is supporting the legacy accounting system.

Mr. Bodie also reported on the current project with Emphasys, to migrate off the legacy accounting system. Mr. Bodie noted that staff anticipates the Emphasys project to be finished by the end of the fiscal year.

Information Security Policy

Mr. Bodie reported that the Authority now has an Information Security Policy (ISP). The ISP will be used as a roadmap for staff to proceed proactively and ensure the correct IT controls are in place. The policy will help maintain the Authority's system from a change management perspective as well as strengthen the control process. Mr. Bodie noted the importance of a risk assessment as a starting point, in which himself and the IT department will work together to proactively identify areas that need attention prior to the BerryDunn audit. This proactive approach is to minimize the number of recommendations in the future. The floor was open to questions and a brief discussion ensued.

STAFF MEMO: CHEFA BONDS REPLACEMENT

Autocene Client Portals

Mr. Bodie reported that Autocene was selected from an RFP process to build a client portal and work on the Authority's BONDS system data. The client portal will allow clients to submit applications for conduit bond issues and revolving loan funds, as well as submit covenant information. Mr. Bodie reported on the benefits of the client portal, including the centralization and integration of data.

Mr. Bodie stated that Autocene came highly recommended and possesses a SOC2 rating. Mr. Bodie commented that, based on this success, staff plans to expand their work with Autocene (e.g., user interface).

Autocene User Interface

Mr. Bodie noted that the first project with Autocene is for them to improve the Authority's user interface. This will be an improvement on the Authority's BONDS system, will be designed by our users, and will streamline all information. The improvement includes uploading standardized information, which also supports the IT control environment, and will help the Authority to move off a legacy system that is difficult to maintain. Mr. Bodie noted that construction funds and arbitrage calculations will also be incorporated into the platform, ultimately creating a more streamlined environment located on one system.

Mr. Bodie stated that the updated contract with Autocene will include third-party change management and maintenance, as well as integration of internal system updates. Mr. Bodie noted that the work done with Autocene fulfills a lot of needs from a data, user, and IT controls perspective, along with the improvements the Authority is working on with the ISP. Mr. Bodie noted that capital budget funds have been put in place to be able to complete the projects with Autocene (reallocation of capital funds originally designated for furniture that are no longer required for Gold Building location).

ADJOURNMENT

There being no further business, Mr. Davis moved to adjourn the hybrid meeting 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		

The special hybrid meeting adjourned at 2:16 p.m.

Respectfully submitted,

Jeanette W. Weldon
Executive Director