

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
Special Audit-Finance Committee Meeting Minutes
September 21, 2022

The Audit-Finance Committee of the State of Connecticut Health and Educational Facilities Authority held a special meeting via videoconference and in-person at 11:15 a.m. on Wednesday, September 21, 2022.

The hybrid special meeting was called to order by Ms. Susan Martin, Acting Committee Chair, at 11:24 a.m. and, upon roll call, those present and absent were as follows:

PRESENT: Susan Martin, Acting Committee Chair
Peter W. Lisi, Board Chair¹
Lawrence Davis²
Darrell V. Hill (*Designee for CT State Treasurer Shawn T. Wooden*)

ABSENT: Michael Angelini
Mark Varholak, Committee Chair

ALSO, PRESENT: Jeanette W. Weldon, Executive Director
Rebecca Abblett, Administrative Services Assistant
Denise Aguilera, General Counsel
Rob Blake, Network Architect³
JoAnne Mackewicz, Controller
Michael F. Morris, Managing Director, Client Services⁴
Cynthia D. Peoples-H, Managing Director, Operations & Finance
Julia Pollano, Operations Reporting Analyst
Kara Stuart, Manager of Administrative Services
of the Connecticut Health and Educational Facilities Authority

INVITED GUESTS: Naomi Aina, Assurance Supervisor, Whittlesey⁵
Katherine Balukas, Senior Manager, BerryDunn⁶
Remonde Brangman, Managing Director, CBIZ⁷
Sonya Golden, Senior Manager, CBIZ⁸
Thomas Goldfuss, Partner, Whittlesey⁹
Robert Smalley, Principal, BerryDunn¹⁰
Dean Travis, Director, CBIZ¹¹

¹ Peter W. Lisi participated in the meeting via teleconference that permitted all parties to hear each other.

² Lawrence Davis 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 Michael F. Morris participated in the meeting via teleconference that permitted all parties to hear each other.

⁵ Naomi Aina 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 Remonde Brangman participated in the meeting via teleconference that permitted all parties to hear each other.

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

⁹ Thomas Goldfuss participated in the meeting via teleconference that permitted all parties to hear each other.

¹⁰ Robert Smalley participated in the meeting via teleconference that permitted all parties to hear each other.

¹¹ Dean Travis 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 June 15, 2022 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

NAYS

None

ABSTENTIONS

None

INTERNAL AUDITOR ENGAGEMENT INTERVIEWS

BerryDunn

At 11:27 a.m., Ms. Katherine Balukas and Mr. Robert Smalley, representatives from BerryDunn, joined the hybrid meeting via videoconference.

At 11:29 a.m., Mr. Darrell Hill joined the hybrid meeting via videoconference.

Ms. Peoples introduced Ms. Balukas and Mr. Smalley, who provided a brief presentation related to BerryDunn and the proposed internal audit engagement.

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

At 11:55 a.m. Ms. Katherine Balukas and Mr. Robert Smalley left the hybrid meeting.

CBIZ

At 11:57 a.m., Mr. Remonde Brangman, Mr. Dean Travis, and Ms. Sonya Golden, representatives from CBIZ joined the hybrid meeting via videoconference.

Ms. Peoples introduced Mr. Remonde Brangman, Mr. Dean Travis, and Ms. Sonya Golden, who provided a brief presentation related to CBIZ and the proposed internal audit engagement.

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

At 12:19 p.m., Mr. Remonde Brangman, Mr. Dean Travis, and Ms. Sonya Golden left the hybrid meeting.

Engagement Interview Discussion and Decision

Ms. Martin noted the difference in hours, as well as the difference in hourly rate, for the two companies. Ms. Peoples clarified that the hours proposed by BerryDunn were based on prior experience, whereas the hours proposed by CBIZ were based on the desire to provide an in-depth and comprehensive engagement given no prior experience. A brief discussion ensued.

Ms. Peoples reported that either engagement would exceed the current budget, as the budget was set based on the rate and hours based on the prior internal audit engagement.

Mr. Lisi inquired about the advantages and disadvantages of the historical knowledge with BerryDunn compared to the initial onboarding needed with CBIZ, as well as the approaches that were offered with both companies. A discussion ensued.

Ms. Martin requested feedback from Staff on the ease of working with either company going forward. Ms. Peoples indicated that there would be no issues either continuing with Berry Dunn or bringing CBIZ on board. Ms. Weldon noted that the hourly rate proposed by CBIZ would be comparable to that of Berry Dunn, if kept at the lower end of the range, and that the makeup of the CBIZ team is aligned with one of the strategic goals of CHEFA to promote a culture of DEI. Ms. Peoples spoke with the references listed for both companies and received positive feedback from all references. A discussion ensued.

Based on the efficiencies for staff of working with the incumbent firm and Berry Dunn's addition of a new member to the engagement team to provide fresh perspective, Ms. Martin requested a motion to recommend the appointment of BerryDunn as internal auditor for the internal audit engagement. Mr. Lisi moved for approval and Mr. Hill seconded the motion.

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

AYES

Darrell V. Hill
Peter W. Lisi
Susan Martin

NAYS

Lawrence Davis

ABSTENTIONS

None

INDEPENDENT AUDIT PRESENTATION

At 12:41 p.m., Ms. Naomi Aina and Mr. Thomas Goldfuss, representatives from Whittlesey joined the hybrid meeting via videoconference.

After introductions of the Whittlesey team by Ms. Peoples, Ms. Mackewicz provided a brief summary of the financial highlights for the fiscal year ending June 30, 2022. Ms. Mackewicz reported that, year over year, there was a slight increase in operating revenues and an increase in operating expenses. Operating revenues remained level, year over year, at \$7.7 million and were budgeted for \$7.6 million; 97% of revenues were generated from administrative fees which are assessed to the Institution. Ms. Mackewicz reported in fiscal year 2022, CHEFA has closed 23 bond offerings totaling \$890 million, compared to \$743 million in fiscal year 2021. Three of the new bond issues were taxable issues, totaling \$58 million. Ms. Mackewicz stated that, as of July 1 2021, administrative fees for taxable transactions became 3 basis points instead of 9 basis points. Ms. Mackewicz reported that 66% of new issuances were new money. Ms. Mackewicz also stated that CHEFA issued 8 new revolving loans, totaling \$600,000 at 0%. Prior loans issued at 1.5% yielded \$1,500 in interest.

Ms. Mackewicz reported that operating expenses increased, year over year, by approximately \$200,000, but remained under budget by \$154,000. Ms. Mackewicz stated that the implementation of GASB 87 resulted in increased amortization and lease interest expense of approximately \$262,000. The total operating income decreased to \$3.6 million from \$3.8 million of the prior year, and non-operating income increased by approximately \$47,000 due to an increase in grants and income from investments. The total operating income, year over year, is a net gain of \$0.7 million.

Ms. Mackewicz stated that the administrative fee receivables increase of \$500,000 was due to the timing of the bills sent in June and the payments received after June 30th. Ms. Mackewicz reported that \$571 million of current restricted assets represents CHEFA's construction funds held on behalf of the Institutions and represents a \$274 million increase to reflect the new issuance dollars received. Ms. Mackewicz stated that the total net position for CHEFA, as of June 30, 2022, is \$15.2 million.

Ms. Mackewicz thanked Mr. Goldfuss and his team on their efforts with the audit.

Ms. Goldfuss introduced himself and Ms. Naomi Aina, who presented on the Independent Audit Report. The presentation provided an overview on the following topics:

- Audit Objectives and Planning the Audit
- Overview of Audit Results
- Required Communications
- Significant Audit Areas and Transactions
- Significant Accounting Estimates
- Financial Statement Highlights
- Current and Emerging Accounting Issues (for 2022)
- Current and Emerging Accounting Issues (post 2022)

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

Ms. Martin requested a motion to accept the Independent Audit Report and approve the FY 2022 audited financial statements. Mr. Hill moved for approval and Mr. Davis seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Lawrence Davis	None	None
Darrell Hill		
Peter W. Lisi		
Susan Martin		

**EXECUTIVE SESSION WITH INDEPENDENT AUDITORS – MANAGEMENT’S
PERFORMANCE FY 2022 AUDITED FINANCIAL STATEMENTS**

Ms. Martin requested a motion to go into Executive Session at 1:08 p.m. to discuss management’s performance in connection with the FY 2022 audited financial statements. Ms. Martin moved to go into Executive Session and Mr. Hill seconded the motion.

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

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Lawrence Davis	None	None
Darrell Hill		
Peter W. Lisi		
Susan Martin		

At 1:08 p.m., all Staff members left the hybrid meeting so that the Committee members and representatives from Whittlesey could attend the Executive Session via a separate videoconference or in-person meeting room.

All Staff returned to the hybrid meeting at 1:21 p.m. Ms. Martin stated that there were no votes taken during the Executive Session.

Approved: November 16, 2022

OTHER BUSINESS

Ms. Martin noted that the next meeting for the Audit-Finance Committee is scheduled for November 16, 2022.

ADJOURNMENT

Ms. Martin requested a motion to adjourn , Mr. Hill moved to adjourn the meeting and Mr. Davis seconded the motion.

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

AYES

Lawrence Davis
Darrell Hill
Peter W. Lisi
Susan Martin

NAYS

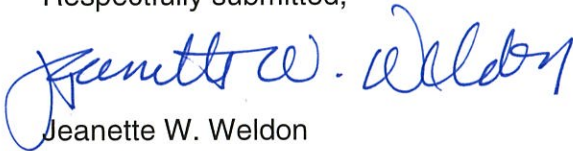
None

ABSTENTIONS

None

The meeting adjourned at 1:22 p.m.

Respectfully submitted,



Jeanette W. Weldon
Executive Director