

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY
Audit-Finance Committee Meeting Minutes
June 21, 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, June 21, 2023.

The hybrid meeting was called to order by Ms. Susan Martin, Committee Chair, at 12:08 p.m. and, upon roll call, those present and absent were as follows:

PRESENT: Susan Martin, Committee Chair
Michael Angelini
Peter W. Lisi, Board Chair
Sarah Sanders (*Designee for CT State Treasurer Erick Russell*)¹
Mark Varholak²

ABSENT: Lawrence Davis

OTHER BOARD MEMBERS PRESENT: Kimberly Kennison (*Designee for Jeffrey Beckham, OPM Secretary*)³

ALSO, PRESENT: Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Rob Blake, Manager of Information Technology & Cybersecurity
Rebecca Hrdlicka, Administrative Services Assistant
JoAnne Mackewicz, Controller
Michael F. Morris, Managing Director, Client Services
Julia Pollano, Operations Reporting Analyst⁴
Kara Stuart, Manager of Administrative Services
of the Connecticut Health and Educational Facilities Authority

INVITED GUESTS: Katharine Balukas, Senior Manager, BerryDunn⁵
Alan Goodwin, Manager, BerryDunn⁶
Robert Smalley, Principal, BerryDunn⁷

APPROVAL OF MINUTES

Ms. Martin requested a motion to approve the minutes of the February 15, 2023 meeting of the Audit-Finance Committee. Mr. Angelini moved for approval of the minutes, which was seconded by Mr. Lisi.

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

AYES

NAYS

ABSTENTIONS

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 Kimberly Kennison participated in the meeting via teleconference that permitted all parties to hear each other.

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

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

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

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

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

None

None

INTERNAL AUDIT REPORTS

Ms. Weldon introduced Ms. Katharine Balukas, Mr. Alan Goodwin, and Mr. Robert Smalley of BerryDunn. Ms. Katharine Balukas, Mr. Alan Goodwin, and Mr. Robert Smalley gave a presentation on the fourth quarter of 2023 internal audit results, which included an overview on the following topics:

- Areas in Scope
 - Wire Transfers
 - Travel & Expense Review, Approval, & Reporting
 - Construction Funds & Distributions
 - Tax-exempt Loan Program
- Summary of Risk Ratings for Recommendations
- Recommendations

The floor was opened to questions, and a discussion ensued regarding the sample size and the risk assessment rotation plan.

Ms. Katharine Balukas, Mr. Alan Goodwin, and Mr. Robert Smalley left the hybrid meeting at 12:23 p.m.

Mr. Lisi inquired about the industry standard and vernacular for the audit ratings, and a brief discussion ensued.

As a follow-up to the inquiry about sample size, Ms. Mackewicz reported that 123 out of 272 construction fund wire transfers were audited and 10 out of 47 vendor verifications were audited.

REVIEW OF FY 2024 PROPOSED OPERATING AND CAPITAL BUDGET

Ms. Martin introduced the FY 2024 proposed operating and capital budget for the Committee, commenting that the budget is formulated in a conservative manner. Ms. Martin also commented that the compensation budget was previously approved by the Committee and has not changed. Ms. Martin reported a typo in the budget cover memo under the Excess Revenues section in the Change in Net Position, which should read "\$806,275" instead of "\$780,899". Finally, Ms. Martin reported that the budget covers one-time costs related to the office relocation. Ms. Martin turned the floor over to Ms. Mackewicz for a full review of the FY 2024 proposed operating and capital budget.

Ms. Mackewicz provided a summary of the FY 2024 proposed budget which includes operating revenues of \$7.844 million, operating expenses of \$4.69 million and non-operating expenses of \$3.15 million, resulting in a change in net position of \$806,000.

Ms. Mackewicz reported that total revenues are expected to decrease by 0.4%. Ms. Mackewicz noted that eight new issues totaling approximately \$200 million are budgeted to close in FY 2024 resulting in the total administrative fee revenue budgeted for \$7.587 million. Ms. Mackewicz highlighted additional revenues including subsidiary support services, bond issuance fees, and revolving loan interest revenue resulting in total operating revenue budgeted for FY 2024 of

\$7.844 million. Ms. Mackewicz confirmed that CHESLA support service revenues are included in the total revenues.

Ms. Mackewicz provided a general overview of the FY 2024 budgeted operating expenses totaling \$4.69 million, then followed with an in-depth look at key areas that reflect the most impact on the FY 2024 operating expense budget which included salaries and benefits, general and administrative, contracted services, and information technology.

Mr. Blake presented an in-depth breakdown of information technology expenses for hardware maintenance, consultant/professional services, information technology equipment and relocation, and Security Operations Center (SOC) and Security Information and Event Management (SIEM) monitoring and reporting.

Ms. Mackewicz continued to review the FY 2024 budgeted non-operating income over expenses, which is expected to increase by \$640,895 over FY 2023 budgeted levels based on a 4.89% interest rate assumption on investments. Ms. Mackewicz commented that nonoperating expenses for childcare and grant programs are budgeted at \$125,000 and \$3.0 million, respectively. Ms. Mackewicz stated that the total non-operating expense is budgeted at \$2.344 million.

Ms. Mackewicz concluded with presenting the proposed capital budget, which includes the following items:

- Office relocation: acquisition of signage, furniture, AV equipment, and cabling;
- Emphasys: implementation of the investment module requiring additional programming to incorporate CHEFA's chart of account RAD structure; and
- Contingency

Mr. Lisi moved for approval of the FY 2024 proposed operating and capital budgets, which was seconded by Mr. Angelini.

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
Peter W. Lisi		
Susan Martin		
Sarah Sanders		
Mark Varholak		

OTHER BUSINESS

Ms. Martin stated that the next Audit-Finance Committee Meeting is scheduled for September 20, 2023.

ADJOURNMENT

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

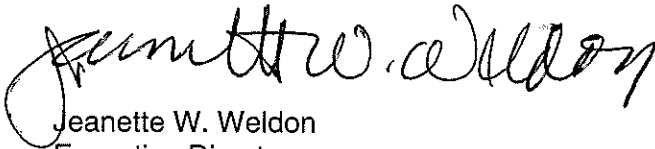
Upon a voice vote, the "Ayes," "Nays" and "Abstentions" were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini	None	None
Peter W. Lisi		
Susan Martin		

Sarah Sanders
Mark Varholak

The hybrid meeting adjourned at 12:40 p.m.

Respectfully submitted,



Jeanette W. Weldon
Executive Director