

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Audit-Finance Committee Special Meeting Minutes

April 21, 2021

The Audit-Finance Committee of the State of Connecticut Health and Educational Facilities Authority held a special telephonic meeting at 12:00 p.m. on Wednesday, April 21, 2021.¹

The special telephonic meeting was called to order by Mr. Mark Varholak, Committee Chair, at 12:01 p.m. and, upon roll call, those present and absent were as follows:

PRESENT: Peter W. Lisi, Board Chair
Mark Varholak, Committee Chair
Michael Angelini
Darrell V. Hill²

ABSENT: Lawrence Davis

OTHER BOARD
MEMBERS PRESENT: Susan Martin

ALSO, PRESENT: Jeanette W. Weldon, Executive Director
Denise Aguilera, General Counsel
Robert Blake, Network and Data Architect³
Debrah Galli, Manager, Administrative Services
Joshua Hurlock, Assistant Director, CHESLA
Daniel Kurowski, CHEFA CDC Program Manager
Michael F. Morris, Managing Director, Client Services
Cynthia D. Peoples-H, Managing Director, Operations & Finance
Kara Stuart, Administrative Services Assistant of the Connecticut
Health and Educational Facilities Authority

GUESTS: Katy Balukas, Manager, BerryDunn
Judith Blank, Esquire, Pullman & Comley
Tina Bode, Manager, BerryDunn
Robert Smalley, Principal, BerryDunn

¹ All attendees participated in the meeting via conference telephone that permitted all parties to hear each other

² Mr. Hill joined the teleconference meeting at 12:05 p.m.

³ Mr. Blake joined the teleconference meeting at 12:16 p.m.

APPROVAL OF MINUTES

Mr. Varholak requested a motion to approve the minutes of the February 20, 2019 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:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Michael Angelini Peter W. Lisi Mark Varholak	None	None

APPROVAL OF MINUTES

Mr. Varholak requested a motion to approve the minutes of the January 13, 2021 special meeting of the Audit-Finance Committee. Mr. Lisi moved for approval of the minutes, 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 Darrell V. Hill Peter W. Lisi Mark Varholak	None	None

Mr. Varholak stated that when the Audit-Finance Committee met in January, BLX gave a report regarding internal control recommendations. The Committee asked management to bring forth a plan to the April meeting that would address recommendations for CHESLA and CHEFA to address over the next 6 to 12 months.

BLX INTERNAL AUDIT RECOMMENDATION PLAN UPDATES

CHESLA Arbitrage

Ms. Weldon referred to the memo on page 23 of the Board package, stating that the memo recaps the recommendations presented by BLX in their write-up reviewed at the January meeting. Ms. Weldon reported that the BLX recommendations were reviewed by an internal working group consisting of herself, Josh Hurlock, Tim Webb as financial advisor for CHESLA, Judith Blank as bond counsel for CHESLA, and AMTEC, the arbitrage rebate service provider for CHESLA. Ms. Weldon stated that staff plans to implement the recommendations beginning with the upcoming

annual calculations conducted in May. Ms. Weldon reported that the working group agrees with implementing the recommendations. Ms. Weldon stated that as part of the process going forward, bond counsel will be providing annual updates to the internal working group regarding any changes in treasury regulations. The expectation is that the May calculations will be available for subsequent review by BLX in the agreed upon timeframe of 6 to 12 months.

CHEFA Arbitrage

Mr. Kurowski referenced page 26 of the Board package, noting the staff memo regarding the BLX internal audit report for CHEFA's arbitrage rebate function.

Regarding CHEFA's processes, procedures, applications and recordkeeping practices, Mr. Kurowski stated that staff will update its existing written procedures to address areas recommended by BLX. Mr. Kurowski reported that the procedures were last updated in 2014, and staff may seek guidance from bond counsel on areas not addressed in the existing procedures, that were in BLX's recommendations. Mr. Kurowski stated that the updated procedures will also seek to formalize informal unwritten procedures. Staff expects to complete the updates by August 1, 2021. A policy will be implemented to ensure procedures are updated on a regular basis and will reflect any changes to the tax code.

Regarding CHEFA'S internal arbitrage reporting, Mr. Kurowski stated that staff anticipates completing the updated templates and internal reporting by December 1, 2021. Staff will review and update all templates to ensure that they also reflect any updated written procedures. Mr. Kurowski stated that this will improve the accuracy and efficiency of the templates used to calculate the arbitrage rebate liabilities.

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

STATUS OF PRIOR INTERNAL AUDIT RECOMMENDATIONS PRESENTATION BY BERRYDUNN

Mr. Smalley stated that BerryDunn has been conducting internal audits with CHEFA since 2017 and the presentation would cover the work performed to date. Mr. Smalley, Ms. Balukas, and Ms. Bode gave a presentation covering the prior audit recommendations and status of recommendations (resolved, in progress, open) in the following areas:

- Vendor administration

- Accounting
- Human Resources and payroll
- Client services
- Information technology

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

INTERNAL AUDIT & IT AUDIT RECOMMENDATIONS UPDATE

Ms. Peoples and Mr. Rob Blake, Network Architect, provided a presentation outlining a progress update of items in process and anticipated completion dates. Ms. Peoples gave a brief progress update on vendor management. Ms. Peoples stated that the staff's process of adding a vendor into the system is extensive and BerryDunn recommended that staff should verify the information for accuracy on a quarterly basis. Ms. Peoples reported that staff has also installed permission controls that prevent the individual doing payables from adding vendors into the system. A report has been set up in the new accounting system so that the recommended quarterly review can be done.

Ms. Peoples covered the following items in process:

- Vendor administration
- Review signatures for bank reconciliations
- Information technology
 - Third party vendor engagement
 - User access review
 - Documentation of vendor soc reports
 - Annual security training
 - Disaster recovery planning – network specific procedures

Mr. Blake continued with information technology items still in process, covering failover testing and the intrusion detection system.

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

Ms. Peoples noted that regarding penetration testing, the service will be included in the FY 2022 budget.

Mr. Varholak inquired whether BerryDunn has tested all areas of CHEFA since the start of their engagement in 2017. Ms. Balukas stated that the only area that has not been tested is the accounting function, which has been delayed primarily due to the general ledger conversion and the development of procedures. A discussion ensued.

Ms. Peoples stated that staff will bring forth a plan regarding BerryDunn and the development of policies and procedures for the accounting functions at the next Committee meeting in May.

ADJOURNMENT

There being no further business, at 1:09 p.m., Mr. Lisi moved to adjourn the meeting 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>
Michael Angelini Darrell V. Hill Peter W. Lisi Mark Varholak	None	None

Respectfully submitted,

Jeanette W. Weldon
Executive Director