

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES
AUTHORITY

Minutes of
The Audit-Finance Committee Meeting
of February 24, 2009

The Audit-Finance Committee of the State of Connecticut Health and Educational Facilities Authority met in session on Tuesday, February 24, 2009.

The meeting was called to order by Benson Cohn, Chair, at 1:35 p.m. and, upon roll call, those present and absent were as follows:

PRESENT: Benson Cohn, Chair
John Biancamano
Patrick A. Colangelo
John Mengacci
Barbara Rubin
Sarah K. Sanders¹

ALSO PRESENT: Jeffrey A. Asher, Executive Director
Paula L. Herman, General Counsel
Cynthia D. Peoples, Assistant Director
JoAnne Mackewicz, Controller
Norberto Ramirez, Compliance/Internal Auditor
Debra M. Pinney, Manager, Administrative Services
and Kathy Owens, Receptionist/Administrative Assistant, of
the Connecticut Health and Educational Facilities Authority

The Notice of Meeting was read and ordered spread upon the Minutes of this Meeting and filed for the record.

¹ Ms. Sanders arrived at 1:42 p.m.

The purpose of the Meeting was to: 1) Approve the Minutes of December 2, 2008 and January 27, 2009 Audit-Finance Committee Meetings; 2) Approve the selection of an auditor for the next three years; 3) Review and discuss the BOND System Audit Report; 4) Approve Compliance Internal-Audit Function FY 2009 Goals; 5) Conduct Other Business; and 6) Conduct Executive Session.

MINUTES

Mr. Cohn requested a motion to approve the Minutes of the December 2, 2008 Audit-Finance Committee Meeting. Ms. Rubin moved to accept the minutes of the December 2, 2008 Audit-Finance Committee Meeting; Mr. Mengacci seconded her motion.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
John Biancamano Benson Cohn Patrick Colangelo John Mengacci Barbara Rubin	None	None

Mr. Cohn requested a motion to approve the Minutes of the January 27, 2009 Audit-Finance Committee Meeting. Mr. Mengacci moved to accept the minutes of the January 27, 2009 Audit-Finance Committee Meeting; Ms. Rubin seconded his motion.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
John Biancamano Patrick Colangelo John Mengacci Barbara Rubin	None	Benson Cohn ²

Approve the Selection of an Auditor for the Next Three Years

Mr. Asher reported that the Committee interviewed five firms. Subsequent to the interviews, there were two questions outstanding with two of the firms. At the last meeting, the Committee decided to table making a decision until Staff had answered both questions.

Mr. Cohn requested a motion to approve Whittelsey & Hadley for a term not to exceed three years. Mr. Biancamano moved to approve Whittelsey & Hadley as the Authority’s auditors; Mr. Mengacci seconded his motion. Ms. Rubin inquired if the Authority appoints a firm for three years and after the first year decides that they are not satisfied, are they obligated to keep the appointment. A discussion ensued. Mr. Mengacci recommended that CHEFA have

² Mr. Cohn obtained from voting as he was not present for the January 27, 2009 Audit-Finance Committee Meeting.

a termination clause as part of the agreement. Ms. Herman will draft a letter of acceptance, indicating that Whittelsey & Hadley had been chosen for a term not to exceed three years. The Committee agreed. The motion carried.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
John Biancamano Benson Cohn Patrick Colangelo John Mengacci Barbara Rubin	None	None

BOND System Audit Report Presentation

Mr. Ramirez reported that he completed an assessment of the Authority’s BOND System. This System has been in development since 2003. A total budget was approved by the Board of \$189,363 over a three-year period (2003-2005). This audit revealed that project costs were under-budget by \$45,225 since actual invoices paid to Adnet totaled \$144,138.

Mr. Ramirez reported that the purpose of the audit was to identify best practices followed by the Project’s team, ensure the System’s integrity, and to determine the current status of the BOND System.

Mr. Ramirez stated that based on the audit work, including the results of the User Survey, he concluded that the BOND System increased the efficiency and effectiveness of the management of a bond issue through its lifecycle, and represents an improvement over the legacy system. Although there are some areas still not fully implemented due to changes in the business requirements, the initial business objectives of the BOND System were met as discussed on Pages five and six of his report.

This assessment revealed that project management processes are sound and that they provide an adequate framework for system development. Mr. Ramirez stated further that he found that acceptable and reasonable controls were identified to support data integrity and protect sensitive information assets. However, some of these controls were not fully implemented at the time of the assessment.

Mr. Ramirez explained that a preliminary review of the BOND System revealed that one function and two reports developed by the contractor were not in use by their respective users. It is important for Management to maximize the benefits of the system in order to justify the cost of it. Since the project was based on a fixed-fee basis, it was difficult to determine the individual cost of these areas.

Mr. Ramirez stated that some tests revealed that various reports in the Office Administration function were not properly updated by the report owners or those performing the function.

While the BOND System project’s team properly followed best practices for system development, and the survey results indicate that the BOND System users are generally

satisfied with the system, the Authority's Management should look to mandate proper use of the system in order to maximize the System's benefits. Mr. Ramirez added that this may be a longer-term initiative as Management assesses certain concerns and impediments raised by current users.

Mr. Cohn requested that Mr. Ramirez elaborate on the statement on Page 10 of the report that referred to "the integrity of the data." Mr. Ramirez explained that the users ranked low on this part of the survey because there are different users who are updating different areas in the BOND System. He added that each department is responsible to update their area and are not sure that other departments are updating their area. However, this does not indicate any false data. Ms. Rubin inquired if there are adequate checks and balances to ensure that the data input is accurate and does each manager have a quality control process that they follow. Mr. Ramirez responded that he recommended this to Management to ensure that the System works properly. Ms. Rubin added that each department should have a Quality Control procedure to ensure that what is input into the BOND System is accurate.

Ms. Peoples explained that each of the areas has the responsibility of data input. The reports should provide them with feedback to ensure that the information has been input correctly. There are input checks in the system to ensure that Staff is following the correct convention as far as the data input into the correct fields. It is the report that is produced that Staff needs to verify that the report is accurate. In some cases, several varieties of sorted reports are provided based on certain criteria for Staff to use. Ms. Rubin inquired if this was a database or workflow system. Ms. Peoples explained that it is both, adding that the system has the ability to monitor all of the Authority's contacts and the entities that they are affiliated with. In addition, it monitors all of the BOND issues and the Management processes so that Staff can attach entities to a BOND issue explaining that these were the companies that worked with the BOND issue and a specific contact. Compliance can also be monitored using the BOND System; Accounting can go in for each of the issues and setup all of the covenant items. Ms. Peoples added that IT is currently in the process of setting up stop-guards in BONDS. This will enable Staff to setup a BOND issue, put in all the covenants that can be spread out for a few years.

Ms. Peoples reported that the Staff has exception reports that were just implemented in the fall and an entirely separate Grant System to monitor all the grants. The Grants System tracks the initial application to its completion. There are also some exception reports included in the Grant System. They also work by those exception reports to find out what information could be inaccurate.

Ms. Peoples reported that in the contacts and entities area, it gets more difficult because there are so many changes with contacts on a regular basis and unless Staff is constantly performing maintenance and updating the BOND System, information will get lost. This area requires regular monitoring to make sure that updates are input accurately.

Ms. Rubin inquired if the BOND System feeds into any other system. Ms. Peoples responded that it is a stand-alone system that feeds basic reports for the Authority. Mr. Asher added that he believes that the BOND System is not used to its capacity. Mr. Asher stated that the overall BOND System is a good system but agrees with Mr. Ramirez's report that there are some issues. He believes that Staff needs to address these issues and needs additional and ongoing training.

Mr. Ramirez stated that the data integrity also goes with security. He explained that each area is password protected which prevents others from inputting information into an area outside of what they are permitted to have access.

Mr. Cohn inquired if the Committee should accept the report, or accept it subject to further review of quality control procedures. The Committee agreed to accept the report subject to follow-up on quality control procedures.

Mr. Cohn requested a motion to accept the BOND System Audit Draft Report. Ms. Rubin moved to accept the BOND System report; Mr. Biancamano seconded her motion. Mr. Mengacci inquired as to when the BOND System was developed. Ms. Peoples responded that the development of the BOND System took place in the spring of 2005. Mr. Cohn asked if there was any further discussion. There being none the motion was carried.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
John Biancamano Benson Cohn Patrick Colangelo John Mengacci Barbara Rubin Sarah K. Sanders	None	None

Approve Compliance Internal Audit Function FY 2009 Goals

Mr. Cohn stated that a few months ago the issue was raised regarding Mr. Ramirez’s stretch goals as it relates to a bonus decision. Subsequently, Mr. Ramirez was asked to resubmit his stretch goals. Mr. Cohn inquired if there were any thoughts from the Committee. Mr. Biancamano stated that Goal #4 should have less weight. Ms. Rubin added that Goal #2 should have more weight. After a brief discussion the Committee agreed that on Goal #2 the weight should be changed from 10% to 25% and on Goal #4 the weight should be changed from 25% to 10%. Mr. Colangelo moved to accept the goals subject to the changes as discussed earlier; Ms. Rubin seconded his motion.

Upon roll call, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
John Biancamano Benson Cohn Patrick Colangelo John Mengacci Barbara Rubin Sarah K. Sanders	None	None

Other Business

There was no other business to discuss today.

Executive Session

There was no executive session today.

The meeting adjourned at 2:06 p.m.

Respectfully submitted,

Benson Cohn, Chair