



Fitchburg State University

Board of Trustees Budget, Finance, and Facilities

Published on March 13, 2023 at 3:52 PM EDT
Amended on March 15, 2023 at 10:28 AM EDT

Date and Time

Monday March 20, 2023 at 10:00 AM EDT

Location

Presidents' Hall, Mazzaferro Center, 291 Highland Ave., Fitchburg, MA 01420

Notice of a meeting of the Fitchburg State University Budget, Finance and Facilities Committee on Monday, March 20, 2023 at 10:00 a.m., Presidents' Hall, Mazzaferro Center, 291 Highland Ave., Fitchburg, MA 01420

Agenda

	Purpose	Presenter	Time
I. Opening Items			10:00 AM
A. Record Attendance			1 m
B. Call the Meeting to Order			
C. Approve Minutes from the January 27, 2023 meeting - VOTE (21-22/23)	Approve Minutes		2 m
II. Budget, Finance and Facilities			10:03 AM
A. FY24 Budget Summary	Discuss		15 m
B. Preventing and Reporting Fraud, Waste and Abuse			5 m

	Purpose	Presenter	Time
C. Internal Control Plan 2023 - VOTE (22-22/23)			10 m
D. Higher Education - Surtax Spending	FYI		5 m
III. Closing Items			10:38 AM
A. Adjourn Meeting	Vote		

Coversheet

Approve Minutes from the January 27, 2023 meeting - VOTE (21-22/23)

Section: I. Opening Items
Item: C. Approve Minutes from the January 27, 2023 meeting - VOTE
(21-22/23)
Purpose: Approve Minutes
Submitted by:
Related Material:
Minutes for Board of Trustees Finance & Administration Committee Meeting on January
27, 2023
VOTE Minutes.pdf

DRAFT



Fitchburg State University

Minutes

Board of Trustees Finance & Administration Committee Meeting

Date and Time

Friday January 27, 2023 at 2:00 PM

Location

Presidents' Hall, Mazzaferro Center, 291 Highland Ave., Fitchburg, MA 01420

Notice of a meeting of the Fitchburg State University Finance and Administration Committee on Friday, January 27, 2023 at 2:00 p.m., Presidents' Hall, Mazzaferro Center, 291 Highland Ave., Fitchburg, MA 01420

Committee Members Present

D. Phillips, E. Gregoire (remote), K. Spinelli (remote), M. Fiorentino, Jr. (remote)

Committee Members Absent

D. Tiernan

Guests Present

C. Estrella, F. Barricelli, G. Doiron, J. Bry, J. Murdoch, J. Wolfman, L. Barrieau (remote), L. Bayless, M. Bruun, M. McKenzie, P. Marshall, R. Lapidus, R. Toomey, S. Swartz

I. Opening Items**A. Record Attendance****B. Call the Meeting to Order**

D. Phillips called a meeting of the Budget, Finance and Facilities Committee of Fitchburg State University to order on Friday Jan 27, 2023 at 2:02 PM.

C. Approve Minutes

K. Spinelli made a motion to approve the minutes from Board of Trustees Finance & Administration Committee Meeting on 10-18-22.

E. Gregoire seconded the motion.

The committee **VOTED** to approve the motion.

Roll Call

D. Phillips	Aye
D. Tiernan	Absent
M. Fiorentino, Jr.	Aye
K. Spinelli	Aye
E. Gregoire	Aye

II. Elect a Chair

A. Elect a Chair

D. Phillips nominated K. Spinelli as Chair of the Finance Committee.

M. Fiorentino made a motion to nominate K. Spinelli as Chair of the Finance Committee. E. Gregoire seconded the motion. The committee VOTED to approve the motion.

III. Finance and Administration

A. Review the faculty union's petition

D. Phillips stated that the main purpose of this meeting is to discuss the faculty petition.

J. Bry noted that the presentation before the Board today was presented at Faculty Development Day. He explained the slides in detail. He explained tuition, fees and waivers. He talked about the MSCA petition, and he noted that he had asked the campus community to submit questions and that they were addressed in the presentation. He discussed various reductions. He noted that the university needs to figure out what the undergraduate enrollment numbers will realistically be moving forward in addition to other revenue streams. The Sustainability Task Force is being constructed with representation from all three unions. He next discussed the make-up of the non-unit professional positions compared to the faculty.

J. Murdoch noted that our sister schools do things differently and it's difficult to compare across the state university segment.

There was a discussion on recruiting and retention of employees.

J. Bry next discussed debt and the way it's recorded, and where the data is pulled from, along with how much debt the university is carrying and how to manage it over the next few years. He stated that a number of projects that are carrying debt are soon to be paid off. Again, he noted that comparing one campus to the next is not always accurate. He discussed the composite financial index. At the moment, he indicated that the university is holding significant reserves.

He discussed net operating revenues and return on net asset ratios.

L. Barrieau asked if this presentation was well received at Development Day? J. Bry responded that he thought it was. It was his sense that the main concern is what does this all mean to the individual and is their job at risk. He stated that the

campus is facing a hardship but not a crisis. He thought the campus understood the enrollment situation and financial reserves.

P. Marshall stated the faculty welcomed the presentation although they did have questions about the budget and faculty replacements.

Phillips thought that the presentation and conversation was a very fair assessment of the situation and that all items on the petition were addressed. The President talked about the petition and said that we have placed a hiring freeze on non-unit senior professionals. We are accepting requests for the replacement of faculty positions, but lower enrollment may impact hiring of those positions. He said there are no secrets on the budget processes.

There was a discussion.

D. Phillips said that the President, J. Bry and J. Murdoch are all accessible. The finance information is up-to-date on the Financial Services webpage.

The President said by next week the task force will be announced and ready to solicit membership from the campus community. There have been multiple presentations on what is the state of university finances and other happenings on campus.

M. Fiorentino inquired about the budget memo recently distributed to the campus community that indicated that the budget would be level funded. He asked what enrollment number was used for the level funded budget.

J. Bry did not have a specific number at the time, but said it did include the decline in enrollment.

E. Gregoire asked what is the charge to the task force and what are the types of recommendations that the board may receive?

The President stated we are modeling after some other schools and are receiving input from a consultant. He said the process is a funnel that starts with high level input and becomes more specific and detailed over time. All members of the campus have an opportunity to provide input. The process will take initial recommendations and provide them to subcommittees that will dive deeper into proposed areas of opportunity or efficiency. Information will be collected for the subcommittees so they can prioritize the various recommendations with actual university data.

E. Gregoire said that the exercise is important but that he was still concerned about the short term. The President said that the university has been tightening for years and is continuing to seek opportunities to do more. E. Gregoire asked if the revenue gap was being filled with reserves?

J. Bry responded that primarily the university will be using reserves, and that each individual position will be looked at. He discussed level funding and plans for the budget this year. We need more direction with FY24 especially with the new governor.

There was a discussion. The Trustees affirmed that we cannot live off of reserves long term and that there will need to be some very difficult conversations given over half of the budget goes to personnel. The Trustees stated they would like to remain involved.

D. Phillips stated that regarding the response to the petition, there is nothing needed to be recommended at the next Board meeting. She will provide a report on the outcomes from the committees' review of the petition.

IV. Closing Items

A. Adjourn Meeting

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 3:05 PM.

Respectfully Submitted,
D. Phillips

**Fitchburg State University
REQUEST FOR BOARD ACTION**


TO: Board of Trustees Budget, Finance and Facilities Committee	DATE: March 20, 2023
FROM: The President	REQUEST NUMBER:
SUBJECT: January 27, 2023 Board Meeting minutes	21-22/23

It is requested that the Fitchburg State University Budget, Finance and Facilities Committee vote to approve the minutes from the January 27, 2023 meeting.

Coversheet

FY24 Budget Summary

Section: II. Budget, Finance and Facilities
Item: A. FY24 Budget Summary
Purpose: Discuss
Submitted by:
Related Material: FY24 BOT Budget Summary 3.13.2023.pdf

 FITCHBURG STATE UNIVERSITY	BOT APPROVED BUDGETS		UPDATED	PROPOSED	PROJECTED BUDGETS		ACTUALS		
	FY22 Budget	FY23 Budget	FY23 Updated Budget	FY24 Budget	FY25 Projected	FY26 Projected	FY22 Actuals	FY23 Actuals Jan 31 2023	
REVENUE SOURCES									
Day Revenue									
General Appropriations Act	\$ 33,197,515	\$ 35,938,368	\$ 36,634,034	\$ 37,687,632	\$ 38,741,230	\$ 39,794,828	\$ 36,711,462	\$ 24,422,689	
Collective Bargaining (CBA) funding	\$ -	\$ -	\$ -	\$ 753,753	\$ 774,825	\$ 795,897	\$ -	\$ -	
PF State Appropriation	\$ 573,943	\$ 900,000	\$ 1,053,598	\$ 1,053,598	\$ 1,053,598	\$ 1,053,598	\$ 695,666	\$ -	
Fair Share State Appropriation	\$ -	\$ -	\$ -	\$ 2,500,000	\$ -	\$ -	\$ -	\$ -	
DCAMM	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,611,871	\$ 1,645,400	
Tuition and Fees - Day	\$ 31,394,668	\$ 29,131,044	\$ 26,087,536	\$ 24,852,050	\$ 24,720,050	\$ 24,967,251	\$ 26,273,546	\$ 24,151,271	
Retained Out-of-State Tuition	\$ 1,500,000	\$ 1,250,000	\$ 1,257,678	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000	\$ 1,212,665	\$ 1,257,678	
Non-State Supported Tuition	\$ 1,110,387	\$ 875,000	\$ 875,000	\$ 875,000	\$ 875,000	\$ 883,750	\$ 812,993	\$ -	
Financial Aid	\$ 7,300,000	\$ 7,300,000	\$ 7,300,000	\$ 7,250,343	\$ 7,250,343	\$ 7,250,343	\$ 5,650,152	\$ 2,966,516	
Grants	\$ 1,492,410	\$ 1,492,410	\$ 1,247,504	\$ 1,509,923	\$ 1,509,923	\$ 1,509,923	\$ 14,015,263	\$ 1,247,504	
Investment Income	\$ 768,800	\$ 1,650,000	\$ 1,650,000	\$ 1,402,500	\$ 1,472,625	\$ 1,546,256	\$ 580,365	\$ 613,247	
Sales, Service, & Other Income	\$ 2,009,050	\$ 1,853,100	\$ 1,853,100	\$ 1,853,100	\$ 1,871,631	\$ 1,890,347	\$ 1,874,460	\$ 552,896	
Reserve from Fund Balance	\$ 308,268	\$ 640,986	\$ 640,986	\$ 640,986	\$ 640,986	\$ 640,986	\$ 92,997	\$ -	
Transfer - Foundation, etc.	\$ 266,000	\$ 266,000	\$ 266,000	\$ 326,000	\$ 326,000	\$ 326,000	\$ 266,000	\$ 210,562	
Subtotal Day	\$ 79,921,041	\$ 81,296,908	\$ 78,865,437	\$ 81,954,885	\$ 80,486,211	\$ 81,909,179	\$ 90,857,439	\$ 57,067,764	
Auxiliary Revenue									
Dorm Authority - Housing	\$ 7,526,689	\$ 9,169,871	\$ 8,322,539	\$ 8,772,203	\$ 8,944,344	\$ 9,126,867	\$ 8,599,820	\$ 8,141,980	
Food Service	\$ 3,388,000	\$ 3,200,000	\$ 3,200,000	\$ 3,200,000	\$ 3,200,000	\$ 3,200,000	\$ 2,892,019	\$ 2,979,139	
Subtotal Auxiliary	\$ 10,914,689	\$ 12,369,871	\$ 11,522,539	\$ 11,972,203	\$ 12,144,344	\$ 12,326,867	\$ 11,491,840	\$ 11,121,119	
GCE + CPS & AP Revenue									
Graduate & Continuing Ed (GCE) +CPS	\$ 8,742,657	\$ 9,442,413	\$ 10,000,632	\$ 10,398,705	\$ 10,918,640	\$ 11,464,572	\$ 8,551,117	\$ 8,061,028	
Accelerated Programs (AP)	\$ 10,257,657	\$ 11,005,881	\$ 10,394,692	\$ 11,069,805	\$ 10,516,315	\$ 9,990,499	\$ 10,639,455	\$ 8,070,157	
Subtotal GCE + AP	\$ 19,000,314	\$ 20,448,294	\$ 20,395,324	\$ 21,468,510	\$ 21,434,955	\$ 21,455,071	\$ 19,190,572	\$ 16,131,184	
Total Revenue	\$109,836,044	\$114,115,073	\$110,783,300	\$115,395,598	\$114,065,510	\$115,691,117	\$121,539,851	\$ 84,320,067	
OPERATING EXPENSES									
Day Expenses									
Day Salaries	\$ 40,502,811	\$ 42,849,950	\$ 42,849,950	\$ 45,211,529	\$ 46,115,760	\$ 47,038,075	\$ 49,099,638	\$ 24,468,027	
University Fringe	\$ 3,366,253	\$ 3,288,361	\$ 3,288,361	\$ 2,091,422	\$ 2,133,250	\$ 2,175,915	\$ 1,729,055	\$ 565,871	
University Operating	\$ 32,168,648	\$ 31,572,829	\$ 30,523,985	\$ 30,378,834	\$ 30,378,834	\$ 30,378,834	\$ 25,630,380	\$ 8,068,487	
Utilities	\$ 3,897,320	\$ 3,807,186	\$ 3,807,186	\$ 4,965,988	\$ 5,015,648	\$ 5,065,804	\$ 4,599,552	\$ 1,709,086	
Capital	\$ 4,725,000	\$ 4,725,000	\$ 4,725,000	\$ 4,725,000	\$ 4,725,000	\$ 4,725,000	\$ 7,131,719	\$ 5,366,183	
Subtotal Day	\$ 84,660,032	\$ 86,243,326	\$ 85,194,482	\$ 87,372,773	\$ 88,368,492	\$ 89,383,629	\$ 88,190,345	\$ 40,177,655	
Housing Expenses									
Housing Salaries	\$ 1,193,843	\$ 1,225,518	\$ 1,225,518	\$ 1,258,485	\$ 1,283,655	\$ 1,309,328	\$ 1,208,062	\$ 647,365	
Housing Fringe	\$ 457,482	\$ 483,222	\$ 483,222	\$ 520,285	\$ 530,691	\$ 541,305	\$ 453,859	\$ 200,739	
Housing Utilities	\$ 1,001,500	\$ 913,500	\$ 913,500	\$ 1,071,700	\$ 1,071,700	\$ 1,071,700	\$ 821,080	\$ 458,339	
Housing Operating	\$ 6,666,140	\$ 7,365,945	\$ 7,482,751	\$ 7,197,644	\$ 7,714,399	\$ 7,788,645	\$ 6,916,267	\$ 4,079,026	
Subtotal Housing	\$ 9,318,965	\$ 9,988,185	\$ 10,104,991	\$ 10,048,114	\$ 10,600,444	\$ 10,710,977	\$ 9,399,269	\$ 5,385,470	
GCE + CPS Expenses									
GCE + CPS Salaries	\$ 1,291,356	\$ 1,452,667	\$ 1,330,971	\$ 1,480,128	\$ 1,509,731	\$ 1,539,925	\$ 1,254,262	\$ 633,929	
GCE + CPS Fringe	\$ 602,499	\$ 622,809	\$ 622,809	\$ 665,871	\$ 679,188	\$ 692,772	\$ 543,266	\$ 268,797	
GCE + CPS Operating	\$ 3,862,219	\$ 3,925,276	\$ 3,925,276	\$ 4,195,646	\$ 4,279,559	\$ 4,365,150	\$ 3,932,668	\$ 2,300,684	
Ed Service Fee Transfer to University	\$ 2,882,470	\$ 3,031,274	\$ 3,100,000	\$ 3,533,610	\$ 3,710,291	\$ 3,895,805	\$ 2,849,733	\$ 2,406,271	
Subtotal GCE + CPS	\$ 8,638,544	\$ 9,032,026	\$ 8,979,056	\$ 9,875,255	\$ 10,178,768	\$ 10,493,652	\$ 8,579,928	\$ 5,609,682	
AP Expenses									
AP Salaries	\$ 398,184	\$ 454,097	\$ 454,097	\$ 452,597	\$ 461,649	\$ 470,882	\$ 335,682	\$ 189,566	
AP Fringe	\$ 177,063	\$ 202,724	\$ 202,724	\$ 219,826	\$ 224,223	\$ 228,707	\$ 163,860	\$ 86,318	
AP Operating	\$ 5,385,895	\$ 6,107,822	\$ 6,107,822	\$ 6,145,257	\$ 5,837,994	\$ 5,546,094	\$ 6,957,647	\$ 3,572,387	
Ed Service Fee Transfer to University	\$ 3,383,085	\$ 3,553,546	\$ 3,553,546	\$ 4,245,500	\$ 4,033,225	\$ 3,831,564	\$ 3,516,103	\$ 2,690,232	
Subtotal AP	\$ 9,344,227	\$ 10,318,189	\$ 10,318,189	\$ 11,063,180	\$ 10,557,091	\$ 10,077,247	\$ 10,973,292	\$ 6,538,502	
Total Expense	\$111,961,768	\$115,581,726	\$114,596,718	\$118,359,322	\$119,704,795	\$120,665,505	\$117,142,834	\$ 57,711,310	
BUDGETED Net Surplus/(Loss)									
Day Operations	\$ (1,350,991)	\$ (1,746,418)	\$ (3,129,046)	\$ (2,217,888)	\$ (4,682,281)	\$ (4,274,450)	\$ 5,758,412	\$ 19,884,688	
Housing	\$ (1,792,276)	\$ (818,314)	\$ (1,782,452)	\$ (1,275,911)	\$ (1,656,100)	\$ (1,584,110)	\$ (799,448)	\$ 2,756,510	
COVID Expenses	\$ (1,500,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (199,299)	\$ (15,441)	
Day Subtotal	\$ (4,643,267)	\$ (2,564,732)	\$ (4,911,498)	\$ (3,493,799)	\$ (6,338,381)	\$ (5,858,560)	\$ 4,759,665	\$ 22,625,757	
GCE + CPS	\$ 104,113	\$ 410,387	\$ 1,021,576	\$ 523,450	\$ 739,872	\$ 970,920	\$ (28,811)	\$ 2,451,346	
AP	\$ 913,430	\$ 687,692	\$ 76,503	\$ 6,625	\$ (40,776)	\$ (86,748)	\$ (333,837)	\$ 1,531,654	
SGOCE Subtotal	\$ 1,017,543	\$ 1,098,079	\$ 1,098,079	\$ 530,075	\$ 699,096	\$ 884,172	\$ (362,648)	\$ 3,983,000	
Total Net Surplus/(Loss)	\$ (3,625,724)	\$ (1,466,653)	\$ (3,813,419)	\$ (2,963,724)	\$ (5,639,285)	\$ (4,974,388)	\$ 4,397,017	\$ 26,608,758	

Coversheet

Preventing and Reporting Fraud, Waste and Abuse

Section: II. Budget, Finance and Facilities
Item: B. Preventing and Reporting Fraud, Waste and Abuse
Purpose:
Submitted by:
Related Material:
Preventing and Reporting Fraud, Waste and Abuse.-030823.pdf



Preventing and Reporting Fraud, Waste & Abuse

Office of Financial Services

Applies to: Faculty, Staff, Student Employees, Students and Volunteers

Fitchburg State University is committed to the responsible stewardship of its resources. University management is responsible for maintaining a work environment that promotes ethical and honest behavior. Management is further responsible for establishing and implementing policies and procedures to prevent and detect irregularities, including fraud, waste and abuse. Employees, at all levels, should be aware of the risks and exposures inherent in their areas of responsibility and should incorporate into their business practices policies and procedures that safeguard the resources entrusted to them.

It is the intention of the University to take whatever action may be needed to prevent and correct activities that violate this policy.

POLICY GUIDELINES

No area or department is exempt from potential misappropriation or misuse of university resources. Fraud, waste and abuse all have the same pattern, commonly referred to as the fraud triangle. Where this pattern exists there is a potential for misappropriation or misuse. The three factors present for fraud, waste and abuse to occur are as follows:

- Pressure or motivation -** There is a will to commit fraud, waste or abuse.
- Opportunity -** There is minimal oversight or lack of adequate controls in a particular area.
- Rationalization -** There is an accepted practice or a perceived entitlement.



Understanding the forces driving fraud, waste and abuse facilitate the development of policies and procedures to prevent and detect it.

I. *Definitions*

- A. Fraud – A deliberate deception to secure an unfair gain. Fraud can be monetary, contractual or any other advantage that is unlawful. Common types of fraud may include, but are not limited to:
- Theft, misappropriation, misuse or destruction of the University assets
 - Improper handling or reporting financial transactions
 - Authorization or receipt of compensation for hours not worked
 - Inappropriate use or alteration of data, computer files, equipment, software, networks or other systems
 - Forgery or unauthorized alteration of documents
 - Falsification of reports to management or external agencies
 - Pursuit of personal benefit or advantage
 - Concealment or misrepresenting events or data
 - Acceptance of bribes, kickbacks, gifts or other items of value
- B. Waste – The loss or misuse of College resources resulting from deficient practices, system controls or poor decision making. Waste does not necessarily involve fraud, violation of laws or provisions of contracts and agreements. Waste is a thoughtless or careless act that results in expenditures, consumption, mismanagement, use or squandering of the University assets or resources. Some examples of waste include:
- Not taking advantage of available discounts on purchases
 - Ordering excessive supplies because existing stock was not inventoried before hand
- C. Abuse – The intentional, wrongful or improper use or misuse of rank, position or authority that causes the loss or misuse of College resources. Abuse also includes the misuse of authority or position for personal financial gain or financial gain of an immediate family member or business associate. Some examples of abuse include:
- Using university equipment or supplies to conduct personal business
 - Using information from vendor lists to get new customers for an outside business

II. *Preventing Fraud, Waste and Abuse*

- A. Maintaining an ethical work environment – Management is responsible for maintaining a work environment that promotes ethical and honest behavior on the part of all students, faculty, staff, contractors, vendors and others. To do so, management at all levels must behave ethically and communicate to employees and others that they are expected to behave in the same manner. Management must demonstrate through words and actions that unethical behavior will not be tolerated.
- B. Implementing effective systems and business practices – Management is responsible to establish and implement systems and procedures to prevent and detect irregularities, including fraud, waste and abuse. Internal control systems and other policies, procedures and practices should provide reasonable assurance that:
- Safeguards exists over institutional assets and resources such as cash, securities, supplies, equipment, property, records, data or other electronic systems
 - Operations are effective and efficient
 - Financial reports and other types of reporting are reliable

- The university is compliant with applicable laws, regulations, contracts, grants and policies
- C. **Reviewing and assessing** – To determine whether internal controls and other practices are effective, management should perform periodic risk and control assessments. The assessments should include periodic review of operational processes to determine the inherent risk of fraud, waste and abuse in each process. Management should then determine if there are controls in place that reduce that risk. Most processes will already have a number of controls in place. These controls should be monitored or reviewed for adequacy and effectiveness. Where controls do not exist, new controls will need to be implemented. Some examples of typical controls include (but are not limited to):
1. Adequate separation of duties among employees
 2. Sufficient physical safeguards over cash, supplies, equipment and other resources
 3. Appropriate documentation of transactions for accuracy and completeness
 4. Documented supervisory review and approval of transactions and other activity
 5. Proper supervision of employees, processes, projects and other operational activities

Other types of reviews include internal and external audits, as well as, program audits or reviews mandated by various federal, state or other outside agencies. These reviews can be based on type, function or funding of the program. Although external reviews and assessments may be mandated, it is still the primary responsibility of management to prevent fraud, waste and abuse. Therefore, management should take steps to perform reviews whether or not external mandates exist.

III. Reporting Fraud, Waste and Abuse

It is everyone's responsibility to be vigilant in providing for the security and accountability of resources entrusted to them. Fitchburg State University encourages all faculty, staff, students, vendors and others, acting in good faith to report known or suspected instances of fraud, waste and abuse. Although proof of an improper activity is not required at the time an incident is reported, those reporting such actions must have reasonable grounds to do so. Failing to report or knowingly making false accusations constitutes fraud in and of itself.

Those reporting fraud, waste and abuse do so with the knowledge that the university is committed to protecting individuals from interference when reporting fraud, waste and abuse and from retaliation for having made such a disclosure. As such, the university maintains a *Whistleblower Policy* that protects both, the individual reporting fraud, waste and abuse and those who may be potentially involved in the occurrence. The policy, encourages individuals to report any wrongful conduct, outlines how occurrences are reported, mandates protections for those reporting and provides individuals who believe they have been subject to reprisals or false accusations a fair process to seek relief.

The policy details procedures for reporting violations and assigns responsibilities surrounding the process to individuals, departments and offices. The policy mandates that individuals act in good faith and refrain from making false accusations. The policy provides for the confidentiality of reported disclosures and for protection from retaliation for individuals reporting wrong doing. University, employees, volunteers, students, vendors and others may not retaliate against an individual who has made a protected disclosure or who has refused to obey an illegal order. Individuals may not directly or indirectly use or attempt to use the official authority or influence of their position or office for the purpose of interfering with the right of an individual to make a protected disclosure.

As outlined in the policy, individuals should share their questions, concerns, suggestions, or complaints with a university administrator who can address them properly. In many cases the individual's supervisor is in the best position to address an area of concern. If an individual is not comfortable speaking with their supervisor, or is not satisfied with the supervisor's response, individuals can take their concerns to the offices listed below that will investigate and/or address the concern as appropriate.

- Office of the Provost/Vice President for Academic Affairs
- Office of the Vice President for Finance and Administration
- Office of Human Resources/Payroll Services & Affirmative Action

The full text of the *Fitchburg State University Whistleblower Policy* is available in the Office of Human Resources & Payroll Services. [Commonwealth's Whistleblower Hotlines](#): 800-322-1323.

IV. Questions

Any questions or concerns regarding this policy or its implementation should be directed to the Vice President for Finance and Administration, Mr. Jay Bry at 978-665-3131.

Coversheet

Internal Control Plan 2023 - VOTE (22-22/23)

Section: II. Budget, Finance and Facilities
Item: C. Internal Control Plan 2023 - VOTE (22-22/23)
Purpose:
Submitted by:
Related Material: VOTE Internal Control Plan.pdf
FSU Internal Control Plan 2023.pdf

**Fitchburg State University
REQUEST FOR BOARD ACTION**

TO: Board of Trustees Budget, Finance and Facilities Committee	DATE: March 20, 2023
FROM: The President	REQUEST NUMBER:
SUBJECT: 2023 Internal Control Plan	22-22/23

It is requested that the Fitchburg State University Budget, Finance and Facilities Committee vote to adopt the 2023 Internal Control Plan.

Internal Control Plan



Fitchburg State University
2023

FITCHBURG STATE UNIVERSITY INTERNAL CONTROL PLAN

To the University Community

Chapter 647 of the Acts of 1989, *An Act Relative to Improving Internal Controls Within State Agencies*, establishes the minimum level of quality acceptable for the internal control systems in operation throughout state departments, agencies and universities. The Office of the State Auditor and the Office of the State Comptroller are legislatively mandated to enforce the state law. Internal Control Plans (ICP) are based on comprehensive assessment of risk, especially those related to the prevention of fraud, waste and abuse. An effective ICP requires the involvement of everyone in the organization. Department heads and managers must develop internal controls for each activity for which they are responsible. The internal controls exercised over individual activities, when taken collectively, become the internal controls of the program or administrative function of which they are part. The internal controls for each department's programs and administrative functions, when combined with overall department controls, comprise the University's internal control documentation. This documentation, or high-level overview describing, referencing, and summarizing the documentation, is the University's *Internal Control Plan*.

Management's role is to provide the leadership that the University needs to achieve its goals and objectives. Internal controls are the structures, policies and procedures used to ensure that management accomplishes its objectives and meets its responsibilities effectively and efficiently while at the same time assuring compliance with applicable rules, regulations and laws. Thus it is imperative that the Internal Control Plan be reviewed and updated. Each manager is responsible for reviewing and updating his/her section of the Internal Control Plan at least on an annual basis and as conditions warrant.

Any questions or comments may be directed to the University's Internal Control Officer, Jay Bry, Vice President of Finance and Administration.

Sincerely,



Richard S. Lapidus
President

Overview of Internal Controls

Introduction

Chapter 647 of the Acts of 1989, *An Act Relative to Improving Internal Controls Within State Agencies*, establishes the minimum level of quality acceptable for Internal Control Systems in operation throughout state departments, agencies and universities. The Office of the State Auditor and the Office of the State Comptroller are legislatively mandated to enforce this state law.

This guide is based on the Committee of Sponsoring Organizations (COSO) *Enterprise Risk Management Framework* (ERM) and it also includes the Federal Government's standard of Internal Control, the Green Book, which is an adaptation of COSO's internal control – Integrated Framework (2013).

COSO defines internal control as follows:

“Internal control is a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of goals and objectives in the following categories:

- Operations - Effectiveness and efficiency of operations.
- Reporting - Reliability of internal and external financial and non-financial reporting.
- Compliance - Compliance with applicable laws and regulations.

This definition reflects certain fundamental concepts:

- Internal control is a process. It is a means to an end, not an end itself.
- Internal control is affected by people. It is not policy manuals and forms, but people at every level of an organization.
- Internal control can be expected to provide only reasonable assurance, not absolute assurance, to an entity's management and board.
- Internal control is geared to the achievement of objectives in one or more separate but overlapping categories.
- Internal control is adaptable to the entire university – flexible in application for the university or for a particular department or business process.

Internal controls are based on comprehensive assessments of risks and require the involvement of everyone within an organization. A less technical definition might state that:

Internal controls are tools that help managers be effective and efficient while avoiding serious problems such as overspending, operational failures, and violations of law.

Components of Internal Controls

Per the COSO ERM framework, there are eight interrelated components to internal control. They are as follows:

1. **Internal Environment** – The foundation for all other components of internal control and includes the organization’s culture, philosophy and ethical values. The organization structure, authority, responsibility and accountability are necessary to plan, execute, control and assess the achievement of its objective.
2. **Objective Setting** – Objective setting is required to achieve the strategic goals of an organization and can be either short or long term in nature. A good objective is SMART: specific, measurable, attainable, results-focused and timely. Once the objectives are established, the organization should then determine its risk appetite (amount of risk the organization is willing to accept to achieve its objectives) and its risk tolerance (the acceptable deviation from the organization risks).
3. **Event Identification** – The process by which an organization identifies events that might have an impact on the organization’s ability to achieve its objectives both internally and externally. It includes distinguishing between events that represent risks, those that represent opportunities, and those that may be both.
4. **Risk Assessment** – Identified risks are analyzed in order to form a basis for determining how they should be managed. Risks are associated with objectives that may be affected. Risks are assessed on both inherent and residual basis, with the assessment considering both the risk likelihood and impact. Risk assessment needs to be done continuously and throughout the university.
5. **Risk Response** – The organization’s plan to manage identified risks within its defined levels of risk tolerance and risk appetite.
6. **Control Activities** – The structures, policies, and procedures that the organization establishes to identify and respond to risks that could prevent it from achieving its goals and objectives.
7. **Information and Communication** – Data generated from both internal and external sources is used to provide information to manage risks and make decisions. Effective communication occurs multi-dimensionally flowing up, down and across the organization and to external stakeholders.
8. **Monitoring** – An organization’s continued efforts to monitor the effectiveness of its controls. Proper monitoring ensures that controls continue to be adequate and continue to function properly and that any deficiencies are promptly reported to and corrected by management.

FITCHBURG STATE UNIVERSITY

Internal Control Plan

Internal Environment

Fitchburg State University (FSU) was chartered in 1894 to provide residents of the state with quality and affordable degrees; it operates under the enabling legislation found in the Massachusetts General Laws, Chapter 73, as amended.

FSU's mission statement was approved by the Board of Trustees in 2010, and it aligns with the MA Board of Higher Education Mission Statement and the MA Department of Higher Education's mission for the State Universities. It reads: "Fitchburg State University is committed to excellence in teaching and learning and blends liberal arts and sciences and professional programs within a small college environment. Our comprehensive public university prepares students to lead, serve and succeed by fostering lifelong learning and civic and global responsibility. A Fitchburg State education extends beyond our classrooms to include residential, professional, and co-curricular opportunities. As a community resource, we provide leadership and support for the economic, environmental, social and cultural needs of North Central Massachusetts and the Commonwealth."

Per Massachusetts General Laws, Chapter 15A, as amended, the Board of Higher Education (BHE) is the official governing organization of each of the universities in Massachusetts. Fitchburg State University is governed directly by an eleven-member Board of Trustees (BOT). Nine are appointed by the governor for a five-year term, one alumni trustee is elected by the alumni association for a five-year term, and a student trustee is elected by the student body for one year. The BOT meets four times annually or as needed and works through its committees: Executive, Academic Affairs, Administration and Finance, Personnel, Student Life, which meet on an as-needed basis. BHE is responsible for setting tuition and approving academic programs and admission standards, mission statements, strategic plans, presidential appointments, and annual budgets and spending plans, while the BOT oversees the local governance of FSU by establishing all fees; making policies for the administrative management of personal and the general business of the institution; review financial statements and federal tax reports, and overseeing the budget process, annual self-assessments, and five-year plans. The Board communicates with the University community not only through the President of the University, but also through the administrative liaisons assigned to the Board committees.

The University strives to be fully compliant with all local, state and federal laws, rules and regulations governing its various operations, and, adheres both to the "letter" of each law, rule or regulation, as well as, to its original intent and "spirit." In compliance with applicable laws, rules and regulations, FSU through its organizational structure, standing committees, affirmative action/equal opportunity policies, its three collective bargaining agreements, its academic and student life policies and procedures, and its administrative and financial policies and procedures has developed an environment that encompasses both technical competence and ethical commitment. The University is committed to hire, train, and retain qualified competent staff.

Faculty and staff in leadership roles are responsible for the application of this policy and the design, development, implementation, and maintenance of an effective and efficient system of internal

controls within their respective areas of responsibility. Subject matter experts (SME) are identified across the university and specifically in high-risk areas including, but not limited to, Accounts Payable, Budget, Finance, Procurement Services, Human Resources, and Information Technology. SMEs are required to:

- Develop, implement, and review internal controls policy and training in their area of expertise.
- Perform internal control reviews on an ongoing basis.
- Promote the internal control program within their area of expertise to gain consistency in the way the university thinks about risk.
- Encourage a culture that self-identifies gaps in internal controls and aids in mitigation of the identified risk.

Objective Setting

The purpose of the Fitchburg State University Internal Control Plan is to provide the Board of Trustees and other outside federal and state agencies with reasonable assurance that the University is efficiently and effectively meeting in a cost-effective manner the goals and objectives outlined in the strategic plan and mission of the University.

The Internal Control Plan further strives to identify and summarize university-wide risks and the controls in place to mitigate those risks, (risk appetite versus risk tolerance). University-wide risks are delineated in the four categories below:

- The safeguarding of all assets (financial and non-financial):

Assets and records must be kept secure at all times to prevent unauthorized access, loss or damage. Assets such as cash, equipment, inventory, financial, software, sensitive personal information, and management policy and procedures to reasonably ensure resources are protected against misuse or loss. The security of assets and records is essential for accurate and ongoing operations.

- Ensure the validity and reliability of all data:

The university should implement and apply reasonable control procedures to ensure that valid, timely and reliable data are obtained, maintained and fairly disclosed in reports. This includes both financial and non-financial data. If the data is inaccurate, incomplete or misleading, the reported operations cannot function properly, and this may mislead not only management but students, creditors and donors.

- Ensure compliance with applicable laws and regulations:

The university should implement policies and procedures in order to ensure that all department activities and the acquisition and use of resources comply with local, federal, and state laws and regulations.

- Ensure alignment of goals throughout the university:

Aligning goals is an important part of a successful operation. Strategic alignment is the process of planning and implementing practices to ensure an organization's strategies support its general objectives. In a strategically-aligned organization, all departments, decisions and functions contribute to the fulfillment of the organization's mission, vision and objectives. Employees thus informed of how their department objective adds value to the university's overall strategy may use their time more efficiently to make informed decisions about which tasks best serve the university's goals and focus their efforts accordingly.

All departments should have clear articulated objectives and management along with their staff should at least yearly review these goals/objectives to ensure that they are aligned with the current strategic plan of the University and with internal and external expectations. Management should foster a climate that encourages employees' knowledge of and compliance with all the university policies and procedures, especially those that are in the employee purview.

Event Identification

The University, through its strategic, budgetary planning and daily exercises, identifies events that could potentially affect its ability to fulfill the mission of the University. Events with negative impact represent risks that need to be addressed by management- e.g. COVID. Events with positive impact represent opportunities that could be incorporated into strategic planning and objective modeling-e.g. COVID. The event risk can be broadly categorized into the following four types:

- Opportunity risk – Refers to the possibility of losing a viable opportunity while pursuing different available options.
- Risk of Uncertainty – Risk of uncertain events happening that could affect the smooth operations of the university.
- Risk of Hazards – Risk of a dangerous event happening that could arise out of a poor workplace design or improper allocation of duties depending on one's skill set.
- Operational Risk – Risk associated with day-to-day business activities. Risk occurs because of the failure of processes, policies or systems.

Identified risks can be inherent and/or residual. Inherent risk is the possibility that an event will occur and adversely affect the University (mistake, omission, or error). Residual risk is what remains after management responds to inherent risk. When identifying risk, it is particularly important to consider the potential for fraud, waste and abuse.

Fraud risk factors do not necessarily indicate that fraud exists but are often present when fraud occurs. Fraud risk factors include the following:

- Incentive/pressure - Management or other personnel have an incentive or are under pressure to meet a deadline or performance target, which provides a motive to commit fraud.
- Opportunity - Circumstances exist, such as the absence of controls, ineffective controls, or the ability of management to override controls, that provide an opportunity to commit fraud.

- Attitude/rationalization - Individuals involved are able to rationalize committing fraud. Some individuals possess an attitude, character, or ethical values that allow them to knowingly and intentionally commit a dishonest act

(See Fitchburg State University's Preventing and Reporting Fraud, Waste and Abuse Policy for further details.)

Risk Assessment

Risk assessment is the process used to identify, classify, analyze and manage the risks that could prevent the University from attaining its goals and objectives. Changes in conditions affecting the university and its environment often require changes to the university's internal control system, as existing controls may not be effective for meeting objectives or addressing risks under changed conditions – e.g. internet security risks.

Management analyzes the effect of identified changes on the internal control system and responds by revising the internal control system on a timely basis, when necessary, to maintain its effectiveness. Changing conditions often prompt new risks or changes to existing risks that need to be assessed.

Fitchburg State University uses a variety of tools to assess risk including evaluation of systems, questionnaires and periodic internal and external reviews. The University requires departments to annually review the department's objective and the key components to achieving those objectives and then do a risk assessment. After doing a risk assessment, the department should:

- Do a short summary and state how and when the risk assessment was conducted.
- The persons involved in doing the risk assessment
- How the risks were rated (what was the scale/methodology used and was it used applied consistently throughout the process),

Once risks have been identified, they are prioritized based on the likelihood of occurrence and the severity of the consequence as follows:

- Level I requires immediate action and senior management involvement
- Level II requires management responsibility and action to be specifically assigned
- Level III can be managed by specific response and monitoring
- Level IV can be managed by routine process

Grouping the departmental risks in these categories permits the analysis of the adequacy of existing controls, the identification of any patterns of risks and whether any concentration of risks exist in a particular area.

Risk Response

Risk management includes both risk assessment and the process of addressing risks (control activities) that are identified from the assessment. There are four basic management approaches to dealing with identified risks. They are as follows:

1. Accept the risk
2. Avoid the risk
3. Share the risk with third parties (i.e. insurers)
4. Mitigate the risk by designing processes that eliminate or reduce the risk

Due to the cost/benefit relationship, it is not possible to mitigate every risk that could potentially affect an organization. It should also be noted that some residual risk will remain even after efforts have been made to address identified risk. In addition, if the risk is not critical, management may be willing to accept a certain level of risk to achieve its goals and objectives.

Control Activities

Control activities consist of policies and procedures established by management to achieve objectives and respond to risks identified in the Internal Control Plan. Control activities can be designed at the entry level and/or the transaction level depending on the precision needed for the department to meet its objective.

Managers must develop policy and procedures for each activity for which they are responsible. The internal controls exercised over individual activities, when taken collectively, become the internal controls of the program or administrative function of which they are a part. The internal controls for each of a department's programs and administrative functions, when combined with overall department controls, comprise the University's internal control documentation.

This documentation is required by Chapter 647 of the Acts of 1989. The University's Internal Control Plan is a high-level overview describing, referencing and summarizing all the individual department documentation.

Types of Internal Control and Common Control Activities

A system of internal control can be evaluated by assessing its ability to achieve seven commonly accepted control objectives:

- **Segregation of Duties** – To prevent the occurrence of undetected errors or fraud, responsibilities must be divided so that one individual does not control all aspects of a transaction.
- **Safeguarding Assets** – Assets (including cash) and records must be kept secure at all times to prevent unauthorized access, loss or damage. The security of assets and records is essential for accurate operations.

- **Safeguarding Confidential Information** – Ensure the security and confidentiality of personal and private information, protect against any anticipated threats to its security or integrity, and guard against unauthorized access and use.
- **Review and Approval** – Review and approval of internal processes should be obtained from a knowledgeable and independent party to ensure that transactions have been executed in accordance with management’s general authorization.
- **Timeliness** – Make all efforts to meet prescribed deadlines and prioritize critical work to avoid fines and negative impacts on operational processes.
- **Error Handling** – Errors detected at any stage of processing receive prompt corrective action and are reported to the appropriate level of management.
- **Documentation** – Provide evidence for transactions to support accuracy and consistency.

Preventive and Detective are two major types of controls.

Preventative controls - Designed to forestall errors or irregularities and thereby avoid the cost of corrections. Examples of common preventive control activities include:

- Segregation of duties
- Proper authorization to prevent improper use of organizational resources
- Standardized forms
- Physical control over assets
- Computer passwords
- Computerized techniques such as transaction limits and system edits

Detective controls - Designed to measure the effectiveness of preventive controls and detect errors or irregularities when they occur. These controls are less effective and more expensive than preventive controls because they occur at the back end of the process. Examples of common detective control activities include:

- Performance and quality assurance reviews
- Reconciliations
- Cash counts
- Physical inventory counts and comparisons with inventory records

Information & Communication

Fitchburg State University posts its Internal Control Plan, as well as many other policy documents on its web page. In addition, newsletters and informative memoranda from key departments are routinely distributed to the University community. There are scheduled and unscheduled meetings ranging from the President’s cabinet meeting to various committee, departmental and neighborhood meetings. These are all an effort to provide various forums for the exchange of information and ideas and to foster communication and cooperation.

Management must ensure that employees are aware of the internal control policies of the department.

Monitoring

Monitoring University operations occurs on an ongoing basis through the normal course of management activities. New initiatives are evaluated for both the strength of the opportunity or associated risk they may present. Fitchburg State University reviews and updates the Internal Control Plan on a regular basis as needed. The University’s external accounting firm, as part of its audit procedures, reviews the University’s internal controls in accordance with current auditing standards and legislative requirements.

Internal Control Plan Review

Reviewed/NCN	_____	Date	_____
Reviewed/NCN	_____	Date	_____
Reviewed/NCN	_____	Date	_____
Reviewed/NCN	_____	Date	_____
Reviewed/NCN	_____	Date	_____

Coversheet

Higher Education - Surtax Spending

Section: II. Budget, Finance and Facilities
Item: D. Higher Education - Surtax Spending
Purpose: FYI
Submitted by:
Related Material: Higher Education - Surtax Spending.pdf

Higher Education – Surtax Spending

Category	FY 2024 Governor
Income Surtax Spending	\$360.00
<i>Financial Aid Expansion</i>	<i>\$93.00</i>
<i>Student Support Services</i>	<i>\$30.00</i>
<i>MassReconnect</i>	<i>\$20.00</i>
<i>Higher Ed Fee Stabilization</i>	<i>\$59.00</i>
<i>State Universities Student Services & Equity Initiatives</i>	<i>\$8.00</i>
<i>UMass Diversity, Equity, and Inclusion Initiatives</i>	<i>\$10.00</i>
<i>Higher Education Capital Funding</i>	<i>\$140.00</i>
Total Higher Ed Funding	\$1,983.38

FY 2024 includes \$360M in surtax revenue investments across higher education:

- \$220 million in operating investments:
 - \$93M - Financial aid expansion
 - \$59 M - Higher ed fee stabilization
 - \$30M – Student support services
 - \$20M – MassReconnect
 - \$10M – UMass diversity, equity & inclusion initiatives.
 - \$8M - State Universities student services & diversity initiatives
- \$140 million in one-time investments:
 - A reserve to address the backlog of deferred maintenance projects on public higher education campuses.