

Minutes

VSAC Audit Committee Meeting

January 22, 2024
2:00 p.m. – 3:30 p.m.

Boardroom, VSAC Offices
10 East Allen Street
Winooski, Vermont 05404

Committee Members Present: John McSoley (Chair), Michael Smith, Ryan Dulude, Mike Pieciak

Committee Members Absent: N/A

Other Board Members Present: Dodie Mitchell

VSAC Staff Present: Scott Giles, Mike Stuart, Tom Little, Patrick Leduc, Laurie Oliver, Bruce Hicken, Jodie Ducharme, Brad Fallon, Jaye O’Connell, Greg Severance

Chair John McSoley called the meeting to order at 2:08 p.m. With a quorum established, the Committee took up the first order of business.

Approval of September 18, 2023, Minutes

Upon a motion made by Ryan Dulude and seconded by Michael Smith, the Committee voted to approve the minutes of the September 18, 2023, Committee meeting, as presented.

Public Comment

There were no public comments given during the public comment period.

Annual Federal Trade Commission Red Flags Policy Review and Approval

Tom Little introduced Greg Severance, Senior Compliance Officer, who directed the Committee to the previously distributed Federal Trade Commission annual Summary Report and program documents. The Red Flags regulation requires covered businesses and organizations to implement a written identity theft prevention program designed to detect the “red flags” of identity theft in their day-to-day operations, take steps to prevent the crime, and mitigate its damage. Greg reviewed the 2023 Summary Report, pointing out that VSAC tracks fraud activity over all programs, and noting that review of the programs affirms that VSAC’s Red Flags Identity Theft Prevention Program is effective in identifying and preventing identify theft. Greg highlighted that, in collaboration with employers that VSAC has contracted with, a new loan product was introduced in October 2023 and noted that the existing Red Flags categories are sufficient in identifying identity theft for this new loan product. Greg announced that VSAC implemented multi-factor authentication for schools and borrowers to gain access to their online MyVSAC account, which reduces the probability of

unauthorized access and fraudulent activity. Greg noted that VSAC also monitors debt relief scams and has taken steps to increase consumer awareness. Committee members engaged in a conversation about the policy and Greg Severance, Jaye O'Connell, and Scott Giles responded to questions.

Upon a motion made by Michael Smith and seconded by Ryan Dulude, the Committee voted unanimously to approve the Annual FTC Red Flags Policy as presented including both the summary report and the program documents.

FY23 NIST Self-Assessment Report

Jaye O'Connell, Director of Collections, Compliance & Information Security Officer reviewed the previously distributed 2022-2023 Guarantor Services and Loan Servicing Information Security Assessment Report. Jaye pointed out that VSAC's internal NIST Self-Assessment demonstrated that VSAC's NIST compliant security policies, procedures, and controls are in place, effective, and operating as intended, which was further supported by the FSA GASA process completed for the same period. Jaye noted there were no specific gap areas identified through the FY23 risk assessment. She explained that the assessment concluded that continued or emerging risk is present for phishing and ransomware and outlined the security control activities implemented in response. Jaye reviewed with the Committee the reporting required under NY Cybersecurity law and in support of the related annual compliance certification.

Committee members discussed the annual report and Jaye O'Connell and Laurie Oliver responded to questions.

Upon a motion made by Michael Smith and seconded by Ryan Dulude, the Committee voted unanimously to recommend the Board accept the 2022-2023 Guarantor Services and Loan Servicing Information Security Assessment Report, as presented.

Risk Management

Patrick Leduc reviewed the previously distributed materials on the Information Security Risk, including the definition, current inherent risk, oversights and controls in place, and the residual risk.

Internal Audit and Risk Management Report

Status Report

Laurie provided a snapshot of active audits highlighting the VA, MN and NY State Compliance exams, the biennial lender review, the FY24 NIST Risk Assessment, the 2023 Annual Student Loan Servicer & Lender State Portfolio Reporting, and FFEL winddown.

Laurie reported that she completed the 40 hours of continuing professional education required in calendar year 2023 for renewal of Internal Audit certification with the Institute of Internal Auditors.

FY24 Internal Audit Plan Update

Laurie reviewed the previously distributed FY24 Proposed Audit Plan for the period of July 2023 – June 2024, outlining corporate, regulatory, and risk-based activities.

FFEL Wind down Impact to External Audit

Laurie provided an update on the FFEL wind down, noting that she and Finance had an initial meeting with the external auditor, CliftonLarsonAllen (CLA), to make sure they were aware of the transfer and to discuss the impacts to the upcoming audit. She commented that the FY24 audit will look very similar to past audits while noting that some audit evidence will now need to come from PHEAA for FFEL financial activity after the transfer. An IT auditor will be added to the CLA engagement team to support the Statement on Auditing Standard (SAS) 145 requirements related to engagement planning and risk assessment. This will not increase the audit fees.

Charter Review

Laurie noted there are no proposed changes for the Audit Committee or Internal Audit charters. Changes are being made to the internal audit standards framework which will likely have an impact to both the Audit Committee and Internal Audit charters. Laurie will present those changes at a future meeting.

Other Business & Adjournment

There being no other business, the Committee adjourned at 3:28 p.m.

Respectfully submitted,

Tom Little
Assistant Secretary