

VSAC Audit Committee Minutes

October 6, 2014

10:30 a.m.

Board Room, VSAC Offices

10 East Allen Street

Winooski, VT

Attendance

Committee Members Present: David Coates (Chair), Beth Pearce (via phone), Mike Smith, and State Auditor Representative Tanya Morehouse (via phone)

Committee Members Absent: None

Other Board Members Present: Dodie Mitchell

External Auditors Present: Mark LaPrade and Rob Smalley of BerryDunn

Staff: Scott Giles, Mike Stuart, Laurie Oliver, Bruce Hicken, Patrick Leduc, and Kristi Rocheleau

The meeting was called to order at 10:35 a.m. and a quorum was declared present. The Chair reviewed the agenda with the Committee.

Approval of Minutes

Upon a motion made by Michael Smith and seconded by Beth Pearce, the Committee voted unanimously to approve the minutes of the June 16, 2014, as presented.

FY14 External Audit Results

Mike Stuart reviewed the Fiscal Year 2014 highlights and overall financial position with Committee Members prior to the BerryDunn presentation, reporting that all is in line with what was previously reported to the Committee.

BerryDunn auditors Mark LaPrade, CPA, Principal and Robert Smalley, CPA, Manager presented the PowerPoint slides from the distributed FY2014 External Audit results to summarize the audit findings.

- *Required Communications* – Mark LaPrade presented the required communications to the Audit Committee. BerryDunn’s opinion is *Unmodified*. No deficiencies in internal control were identified as material weaknesses.
- *Financial Statement* - Mark presented that the opinion on the financial statements is *Unmodified*. There were no audit adjustments that were not made by management.

- *A-133 Audit* – Rob Smalley provided summary of the U.S. Office of Management and Budget (OMB) Circular A-133 engagement. He indicated that the major programs covered by the audit were the federal TRIO Cluster and Federal Family Education Loan Program (FFELP). The audit resulted in an *unmodified opinion* on compliance with each major federal program reviewed. There were no internal control deficiencies over compliance or financial reporting identified during the course of the audit.
- *Fee Schedule* – Mark LaPrade noted that audit was completed ahead of schedule, which he believes is reflective of the staffing consistencies of the Berry Dunn team and audit efficiencies realized through a better understanding of the VSAC environment and planning. As a result of the efficiencies, VSAC will realize a significant reduction of approximately \$30k in the agreed upon not-to-exceed estimate. Laurie Oliver also noted that the financial statements were issued the earliest in her experience.
- *Emerging Issues* – Mark and Rob provided an update to the OMB “Super Circular” (now referred to as the Omni Circular), highlighting some of the key changes in the administrative requirements. BerryDunn recommends management review the applicable sections of the circular to gain an understanding of the compliance requirements and review of policies and procedures to ensure VSAC will remain compliant on December 26, 2014. The revised audit requirements will be effective beginning July 1, 2015.
- *Agreed-Upon Procedures* – Rob explained that these are procedures agreed to between VSAC and Ambac. Ambac has between 40 – 50 tests that they require be performed. These tests overlap significantly with the requirements for the A-133 and financial statement audit. Rob reported no exceptions were found.

Upon a motion made by Beth Pearce and seconded by Mike Smith, the Committee voted unanimously to enter Executive Session at 11:11 a.m. in order to consider the evaluation of a confidential contract matter and the evaluation of a public officer, premature public knowledge of which would clearly place VSAC at a substantial disadvantage. Rob Smalley and Mark LaPrade of BerryDunn were asked to remain in the room, as they have information needed for the Executive Session. 1 V.S.A. sec. 313(a)(3).

The Committee exited the Executive Session at 11:19 a.m.

Upon a motion made by Mike Smith and seconded by Beth Pearce, the Committee voted unanimously to recommend the Board accept the Financial Statement and A-133 Audits as presented.

Internal Audit and Risk Management Report

Laurie Oliver provided a status report of the activity of the Internal Audit & Risk Management Department since the prior Audit Committee meeting held on June 16, 2014. During this period, four federal loan servicing audit engagements were closed, three are in process, and the department has initiated work under the FY15 internal audit plan. Chair David Coates requested that the Executive Committee and leadership group make the Corporate Risk Assessment a priority, given that the strategic plan is now complete.

Laurie also presented the proposed FY15 Internal Audit Plan, categorized into four separate categories including Contractual, Risk-Based, Corporate and Regulatory. She indicated that the largest allocation of resources will be towards supporting the federal loan servicing audit requirements, similar to the experience of last year.

David Coates commented that these figures do not reflect the General Administration time allocated for ongoing Department management, training, and paid time off, which accounts for approximately 20% of the total available hours, thus the true audit plan requires 120% of the department's time. The Committee recognizes this is an ongoing reflection of the increase in quantity of audit controls asked of the industry.

Upon a motion made by Mike Smith and seconded by Beth Pearce, the Committee voted unanimously to approve the FY15 Internal Audit Plan, as proposed.

2013 Form 990 Review

Bruce Hicken reported the annual Form 990, previously distributed, is ready to be submitted for the Vermont Scholarship Fund. Bruce highlighted that the form reports information from 2013, and therefore reporting information may appear skewed in some areas as a result of the Officer changes during 2013. Bruce communicated this is the only Form 990 completed by VSAC.

Upon a motion made by Mike Smith and seconded by Beth Pearce, the Committee voted unanimously to approve the 2013 Form 990 for submission as presented.

Legal Update from General Counsel

This item was deferred to the Board Meeting, following at 1:00 p.m. on October 6. Laurie shared that Tom Little and Tanya Morehouse are scheduled to meet so that Tom can brief Tanya on current legal updates. A separate meeting will also be scheduled with Berry Dunn.

There being no other business to come before the Committee,

Upon a motion made by Beth Pearce and seconded by Michael Smith, the Committee voted unanimously to adjourn at 11:55 a.m.

Respectfully submitted,

Tom Little
Assistant Secretary