

## VSAC Audit Committee Minutes

September 25, 2015

10:30 a.m.

Board Room, VSAC Offices

10 East Allen Street

Winooski, VT

### Attendance

Committee Members Present: David Coates (Chair) and Beth Pearce

Committee Members Absent: Mike Smith and State Auditor Representative Tanya Morehouse

Other Board Members Present: Dodie Mitchell and Sarah Buxton

External Auditors Present: Mark LaPrade, CPA, Principal and Rob Smalley, CPA of BerryDunn (by phone)

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

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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 Beth Pearce and seconded by David Coates, the Committee voted unanimously to approve the minutes of the May 18, 2015 Committee meeting as presented.*

### FY15 External Audit Results

Mike Stuart reviewed the Fiscal Year 2015 highlights and overall financial position with Committee members, reporting that all is in line with what was previously reported to the Committee.

VSAC had a net operating deficit of \$2.1 million, mainly a result of nonrecurring legal expenses.

BerryDunn auditors Mark LaPrade, CPA, Principal and Robert Smalley, CPA, Manager, presented the PowerPoint slides summarizing the FY2015 External Audit results.

- *Required Communications* – Rob Smalley 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* - Rob Smalley presented that the opinion on the financial statements is *Unmodified*. There were no proposed audit adjustments.
- *A-133 Audit* – Mark LaPrade provided summary of the U.S. Office of Management and Budget (OMB) Circular A-133. He indicated that the major programs covered by the audit were the Gaining Early Awareness and Readiness for Undergraduate Program (GEAR UP) and

the Federal Family Education Loan Program (FFELP). The audit resulted in an Unmodified opinion on compliance with each major federal program reviewed. There were no material weaknesses identified for internal control over financial reporting or compliance material weaknesses over the course of the audit. Laurie Oliver reported this is the last year that we will be audited for the A-133. This will be replaced with the Uniform Guidance audit format effective for VSAC July 1, 2015

The Committee discussed the overall audit proceedings with Mark LaPrade and Rob Smalley. As a follow up, the Audit Committee extended their thanks to the Finance Department for their excellent effort. The audit came in ahead of schedule, resulting in reduced fees for the second year in a row.

Mark LaPrade and Rob Smalley exited the meeting at 11:25 a.m.

*Upon a motion made by Beth Pearce and seconded by David Coates, the Committee voted unanimously to recommend that the Board accept the FY15 Audit Report 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. Internal Audit resources were primarily allocated to continued support of the existing federal loan servicing contract audit and monitoring requirements. VSAC experienced an increased focus on Information Security practices by FSA as a result of the Office of Personnel & Management (OPM) information security breach, including official extension of NIST compliance to the Guarantor. Other Internal Audit activities included participation in the VHEIP conversion project.

Laurie then presented the proposed FY16 Internal Audit Plan, segregated into four categories: Contractual, Risk-Based, Corporate and Regulatory. This Plan was presented under the assumption of VSAC's continued participation under the federal direct loan servicing contract. As such, the majority of the goals continue to be supporting the federal direct loan servicing audit requirements, similar to the experience of last year. The plan will be monitored and adjusted as needed throughout the year as needed to ensure the Plan is reflective of the corporation's risks.

*Upon a motion made by Beth Pearce and seconded by David Coates, the Committee voted unanimously to approve the FY16 Internal Audit Plan, as proposed.*

Scott Giles provided a Risk Management update. Each Vice President has been assigned a risk category to manage. Risk items will be incorporated as part of committee work plans, and regular updates will be provided to Committee Chairs and the Board.

### **2014 Form 990 Review**

Bruce Hicken reported that the annual Form 990, previously distributed, is ready to be submitted for the Vermont Scholarship Fund. Bruce highlighted that there are no real changes from the prior year.

*Upon a motion made by Beth Pearce and seconded by David Coates, the Committee voted unanimously to approve the 2014 Form 990 for submission, as presented.*

**Legal Counsel Report**

Tom Little reported there is no threatened or pending litigation.

**Other Business & Adjournment**

There being no other business, the Committee adjourned at 12:02.

Respectfully submitted,

Tom Little  
Assistant Secretary