

VSAC Audit Committee Minutes

January 22, 2015

9:30 a.m.

Board Room, VSAC Offices

10 East Allen Street

Winooski, VT

Attendance

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

Committee Members Absent: None

Other Board Members Present: Dodie Mitchell

Staff: Scott Giles, Mike Stuart, Laurie Oliver, Bruce Hicken, Tom Little (entered at 11:00), and Kristi Rocheleau

The meeting was called to order at 9:32 a.m., and a quorum was declared present. The Chair reviewed the agenda with the Committee.

Approval of Minutes

Upon a motion made by David Coates and seconded by Beth Pearce, the Committee voted unanimously to approve the minutes of the October 6, 2014, as presented.

Internal Audit and Risk Management

Laurie Oliver provided a status report of the activity of the Internal Audit & Risk Management Department since the prior Audit Committee meeting on October 6, 2014. A change to the format of the report was made in order to clarify those audit activities that are intended to opine on the operations of the Department of Education, as supported by VSAC, and those that opine directly on the operations of VSAC. Internal Audit resources were primarily allocated to continue support of the existing federal loan servicing contract audit and monitoring requirements, and to continue supporting the implementation of new contract modifications specific to A-123 and invoice sampling. Planning for FY15 A-123 has started, which directly affects the scope of work for VSAC's SSAE 16. FSA has contracted with a new audit firm. In general, VSAC is beginning to see the development of changes in FSA's monitoring of servicers, which could flow down to VSAC. Scott shared that representatives from the Department of Education were onsite for a week to review VSAC's operations as an opportunity to validate their approach, and he talked about an opportunity for VSAC to work with FSA on a data monitoring project.

There was some opportunity to allocate resources to projects such as OMB Super Circular implementation, Enterprise Risk Management planning, and discovery work for expanded credit card utilization.

Scott Giles expanded on the Enterprise Risk Management planning, noting that the audit requirements will be aligned with the strategic plans. He and Laurie are working on drafting a proposal and dashboard for the Committee's review. David Coates offered his expertise to review the draft. After input from other members, an invitation to participate in the process will be sent to all Audit Committee members and Dodie Mitchell. The Committee will review the most current draft at the next Audit Committee meeting.

Charter/Work Plan Review

Laurie Oliver referred members to the Audit Committee Charter and Work Plan last approved January 23, 2014. No changes were proposed. As a result of the Committee's review, there was discussion on how the Committee establishes independence of the external auditors. The Members also communicated that consistent terminology should be used between the Work Plan and Charter, specifically in describing risk management activities and responsibilities. There was a discussion about 1) the role of the Audit Committee vs. that of the full Board for the oversight of the overall risk management process, and 2) the responsibilities for the specific risks resulting from the process across various Committees and the Board. The Committee also agreed that the Enterprise Risk Management plan may help identify training opportunities for Board members. As a result, the work this committee is doing should be shared with the Board for gap analysis consideration.

Laurie and Tom will review the proposed changes and will bring a revision to the next meeting. Action on the Charter/Work Plan approval was deferred to the May meeting to allow time for updates.

The VSAC Internal Audit & Risk Management Charter was then reviewed. Laurie communicated she has no proposed changes at this time, but discussion is needed to ensure that the expectations of the function are aligned with the strategic direction of the organization as the efficiency goals are reviewed. No action was taken.

Audit Committee Evaluation

The Committee reviewed the Audit Committee Self-Evaluation Form included in the previously distributed material. The Committee recommends that the scale be updated to a 4-point rating scale instead of a 5-point rating scale, and that any ineffective ratings should include a place for comments. Dodie suggested the need to ensure the form is designed to evaluate effectiveness of the Committee in both the short and long term as participation in the Committee occurs over time. Laurie will update the form, send the revised version to the Audit Committee for completion, and report the results to the Audit Committee at the next meeting. David also indicated that the results should be shared with the Governance Committee.

Annual FTC Red Flags Policy Review and Approval

Tom Little addressed the requirements of the Red Flags Identify Theft Prevention Program, noting that VSAC's program is effective in identifying potential fraud activity given the risk level. The proposal also recognizes that new assessments may be warranted if VSAC's private loan products change or if new products are introduced in 2015.

Tom referred Committee Members to the VSAC "Red Flags" Identity Theft Prevent Program, and requested that the Committee adopt and approve the proposal.

Upon a motion made by Mike Smith and seconded by Beth Pearce, the Committee voted unanimously to accept the FTC Red Flags Policy as proposed.

Legal Update

Upon a motion made by Beth Pearce and seconded by Michael Smith, the Committee voted unanimously to enter executive session at 10:57 a.m. in order to consider pending or threatened litigation and to obtain confidential and privileged advice from legal counsel. The following are requested to remain in the room: Scott Giles, Mike Stuart, Laurie Oliver, Bruce Hicken, Tanya Morehouse, and Tom Little.

The Committee exited the executive session at 11:26 a.m.

Other Business

The Committee discussed and identified suggestions for Audit Committee professional development needs. The Committee also recommends that the full Board be included in some of the identified trainings. Given the Enterprise Risk Management Plan under development, the Committee would like to review this topic again once the dashboard and risk management plan are available, that may trigger areas where additional training would be beneficial to support their role in the process.

There being no other business to come before the Committee, the Committee adjourned at 11:40 a.m.

Respectfully submitted,

Tom Little
Assistant Secretary