

APPROVED Minutes

VSAC Audit Committee Meeting

May 23, 2016

10:00 a.m.

Board Room, VSAC Offices

10 East Allen Street

Winooski, VT

Attendance:

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

Committee Members Absent: Sarah Buxton, State Auditor Representative Tanya Morehouse (non-voting member)

Other Board Members Present: Dodie Mitchell

External Auditors Present: Mark LaPrade and Kaylyn Landry, BerryDunn

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

The meeting was called to order at 10:01 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 meeting Minutes of January 25, 2016, as presented.

FY16 Audit Plan Presentation (BerryDunn)

Mark LaPrade and Kaylyn Landry of BerryDunn recapped the previously distributed *Auditor Communications to the Audit Committee - 2016 Audit Planning Summary* report. This report covers the professional communication requirements and emerging issues that Berry Dunn is required to communicate to the Audit Committee about the audit. The Committee provided input with regards to the discussion points.

Laprade confirmed the Firm's independence from VSAC and indicated that the most recent peer review report (dtd 2015) had been provided to Ms. Oliver. The report reflected a "Pass" rating, similar to the prior report.

Landry noted that Interim fieldwork is currently in progress, including the new work associated with the Agreed Upon Procedures specific to the 2015 Bond issuance.

Mark LaPrade and Kaylyn Landry exited the meeting at 10:15 a.m.

Legal update

Tom Little provided a legal update.

Risk Management Update

In response to the Committee's January request, Scott Giles reported that the Enterprise Risk Management plan and profiles are accessible to Committee and Board Members within the board portal. Patrick Leduc and Scott Giles then reported out on two risks assigned to the Committee, as part of the ongoing risk review.

The Committee discussed the Whistleblower Policy. Although there were no proposed changes, legal counsel recommends that the Audit Committee undertake a more thorough review of the policy as a result of increased Security Exchange Commission (SEC) and Consumer Protection Bureau (CPB) activities related to fraud since the 2008 policy inception. The Committee agreed and discussed broadening the fraud language within the policy. Tom will draft and circulate recommended revisions for the Committee to review. Chair Coates asked that Legal Counsel's annual fraud report be specifically noted in the agenda for the fall Committee meeting as outlined in the Committee's Work Plan.

Internal Audit & Risk Management

Laurie Oliver summarized the internal and external audit activities in progress and addressed questions regarding the Status Report and the Internal Audit Plan Update previously distributed. Overall, Internal Audit resources were focused on support and completion of Federal Loan Servicing contractual audit and monitoring activities. Two Department of Education program reviews were initiated since the prior meeting for the FFEL and Direct Loan portfolios, and an analysis was performed in response to a national Government Accountability Office (GAO) Study on the Servicemember Civil Relief Act (SCRA), which was not a part of the original Internal Audit Plan. Progress continues on VSAC's Biennial Lender Review.

In follow up to the Risk Management discussion, Ms. Oliver also commented on the continued focus on SCRA and Income Driven Repayment (IDR) regulatory compliance.

Review of Audit Committee Evaluation Results

Ms. Oliver reviewed the summary of this year's Audit Committee self-evaluation results, highlighting the slight improvement in ratings, and the consensus that the Committee appears to continue to function effectively overall. The Committee resumed the professional development discussion, and recommended training more specific to VSAC and the organization's needs, which could include a session specific to the risk management process. Scott Giles will identify a list of trainings that incorporates the suggestions collected; he will talk through the proposals with Chair Coates. The aggregate results will be shared with the Governance Committee.

Internal Audit and Risk Management Annual Evaluation

The Committee discussed the performance of the Internal Audit and Risk Management function for annual performance purposes. David Coates indicated he would share the results of the Committee's evaluation with the Director at the conclusion of the meeting.

There being no other business, the meeting adjourned at 11:55 a.m.

Respectfully submitted,

Tom Little
Assistant Secretary