

VSAC Audit Committee Minutes

October 16, 2017

11:00 a.m.

**Board Room, VSAC Offices
10 East Allen Street
Winooski, VT**

Attendance

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

Committee Members Absent: State Auditor Representative Tanya Morehouse

Other Board Members Present: Dodie Mitchell

External Auditors Present: Mark LaPrade, CPA, CGMA, Principal and Rob Smalley, CPA, Senior Manager of BerryDunn

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

The meeting was called to order at 11:03 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 David Coates, the Committee voted to approve the minutes of the May 22, 2017 Committee meeting, as presented.

Beth Pearce joined the meeting at 11:05 a.m.

External Auditor FY17 Financial Statement and Uniform Guidance Audit Results

BerryDunn auditors Mark LaPrade, CPA, CGMA and Robert Smalley, CPA, presented the Audit Communications to the Audit Committee, previously distributed.

- *Required Communications* – Rob Smalley reviewed the required Audit Communications, highlighting qualitative aspects of accounting policies, other required disclosures, and internal controls. He highlighted that VSAC's change in methodology to the estimate of the loan loss allowance, particularly related to the private loans, was reasonable based on the experience of the portfolio and supported the rating agencies assumptions.
- *Financial Statement* – Mark LaPrade communicated that the opinion on the financial statements is *Unmodified*. There were no material weaknesses or significant deficiencies noted in internal controls over financial reporting identified or audit adjustments, or uncorrected adjustments.
- *Uniform Guidance Reports* – Rob Smalley communicated that TRIO Cluster and Federal Family Education Loan Program (FFELP) were the two major programs audited as part of

Uniform Guidance Reporting. Berry Dunn issues an *Unmodified* opinion on compliance with the requirements of each major program. No noncompliance with laws, regulations, contracts, and grand agreements, or compliance findings. BerryDunn issued an unmodified opinion that the SEFA is fairly stated in relation to financial statements.

The Committee then discussed the overall audit proceedings with Mark LaPrade and Rob Smalley. The Committee recognized the efforts of VSAC's Finance Department, and in particular Manager, Anne Craige, whose preparation and management of the audit process continues to result in an efficient process and serves as a model among Berry Dunn clients. The audit is once again expected to come in under budget and under hours as a result for their efforts.

Mark LaPrade and Rob Smalley exited the meeting at 11:17 a.m.

Upon a motion made by Michael Smith and seconded by Beth Pearce, the Committee voted unanimously to recommend that the Board accept the FY17 External Audit Report and Uniform Guidance Report as presented.

Internal Audit and Risk Management Report

Laurie Oliver reported on the work completed to close out FY17 Internal Audit Plan activities, including the FY16 Executive & Board Expense Reimbursement Review, review of the 2017-2018 private loan program configuration and renewal of the FY17-18 corporate non-employee benefit insurance policies. Ms. Oliver also informed the Committee of continued work on the business requirements validation and vendor due diligence related to the Private Loan Origination System Replacement Project, and provided background on the servicing examination conducted by the State of Connecticut in August and September on borrowers residing in that state. Scott Giles briefed the Committee on the political climate impacting the rise in State law student loan servicing activity which could negatively impact many servicers both financially and in resources needed to comply and respond to State servicing standards and audit activity. Laurie Oliver indicated that the student loan industry group is monitoring this situation closely and VSAC has representation in this workgroup.

Patrick Leduc and Scott Giles briefed the Committee on the Penetration Testing and Social Engineering conducted in June 2017 to identify high impact vulnerabilities within VSAC assets that could lead to exploitation, theft, or privilege escalation. A corrective action plan has been identified for all findings. Internal Audit will continue to monitor the findings for closure. Per the request of the Committee, Scott and Patrick will cover this during the Board meeting scheduled for 1:00 p.m.

Laurie Oliver referred the Committee to the draft FY18 Internal Audit Plan. Focus will be on the participation in the Private Loan System Replacement Project as VSAC's most critical project for the year. She will also allocate time to the upcoming VHEIP fund conversion. The Committee will continue to monitor the allocation of Internal Audit resources as the year progresses depending on availability of time outside these two projects and other ongoing Internal Audit activities and responsibilities.

2016/2017 Form 990 Review

The Committee transitioned to the review of the Form 990 prepared by Bruce Hicken and previously distributed. David Coates communicated that he reviewed the report line by line and noted nothing out of line.

Upon a motion made by Beth Pearce and seconded by Michael Smith, the Committee voted unanimously to approve the 2016 Form 990 for submission, as presented.

Other Business & Adjournment

There being no other business, the Committee adjourned at 12:00 p.m.

Respectfully submitted,

Tom Little
Assistant Secretary