

## VSAC Audit Committee Minutes

September 23, 2019

12:30 p.m.

Board Room, VSAC Offices

10 East Allen Street

Winooski, VT

### Attendance

Committee Members Present: Beth Pearce, John McSoley, and Michael Smith

Committee Members Absent: N/A

Other Board Members Present: Dodie Mitchell

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

Staff: Scott Giles, Mike Stuart, Tom Little, Patrick Leduc, Marilyn Cargill, Laurie Oliver, Bruce Hicken, Jaye O'Connell, and Jodie Ducharme

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The meeting was called to order at 12:31 p.m. and a quorum was declared present.

### Approval of Minutes

*Upon a motion made by Michael Smith and seconded by Beth Pearce, the Committee voted to approve the minutes of the May 20, 2019, Committee meeting, as presented, with John McSoley abstaining.*

### External Auditor FY19 Financial Statement and Uniform Guidance Audit Results

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

- *Financial Statement* – Robert Smalley communicated that with the finalization of the financial statements, Berry Dunn is expected to issue an *Unmodified* opinion.
- *Uniform Guidance Audit* – Danielle Baron communicated that the Federal Family Education Loan Program (FFELP) was the major program audited as part of Uniform Guidance Reporting. She noted that there were no compliance findings or internal control findings over compliance with the program. BerryDunn is expected to issue an *Unmodified* opinion on the direct and material compliance requirements of this program and an *Unmodified* opinion on the Schedule of Expenditures of Federal Awards (SEFA) in relation to financial statements.

- *Required Auditor Communications* – Mark LaPrade reviewed the required Audit Communications, highlighting qualitative aspects of accounting policies and management’s judgements and estimates related to the loan loss reserve. Mark noted that there were no significant audit adjustments and no unrecorded audit adjustments.

Laurie Oliver thanked BerryDunn for their efforts in completing the audit work earlier than usual this year, allowing us to issue financial statements within the timeframes required to maintain compliance with certain state student loan servicing laws.

Acting Chair, Beth Pearce, congratulated BerryDunn and VSAC staff for their excellence in reporting and for a successful audit. The Committee and BerryDunn recognized the efforts of Finance Manager, Anne Craige, whose preparation and management of the audit process continues to result in an efficient process.

The Committee then met alone with the auditors to discuss the audit process and results.

*Upon a motion made by Michael Smith and seconded by John McSoley, the Committee voted unanimously to recommend that the Board accept the FY19 External Audit Report and Uniform Guidance Report as presented.*

### **Legal & Regulatory Risk Update**

Laurie Oliver directed the Committee’s attention to the previously provided Legal & Regulatory Risk document, which she noted was last brought to the Committee in 2018. She noted the risk is generally the same with a slight increase in inherent risk as a result of the increase in the number of states enacting student loan licensing laws and regulatory programs. Laurie noted changes to the document to include exposures and external factors.

Laurie introduced Jaye O’Connell, Director of Collections, Compliance & Information Security Officer, who gave an overview of the state law compliance program. Jaye noted that as state laws are passed, she and her team are monitoring what is being enacted and working closely with the national Student Loan Servicing Alliance (SLSA) and conducting a gap and risk analysis of state law requirements. Internal Audit has also created a dashboard to assist management with assessing risk and monitoring the loan volume across the various states. Jaye noted that as a result of the gap analysis, there were no gaps identified in the recent California audit that had not been previously identified. Laurie indicated that there will be five states with student loan licensing laws that will become effective between now and January.

### **Internal Audit and Risk Management Status Report**

Laurie Oliver reported on work completed to close out FY19 Internal Audit Plan activities. She also highlighted the Student Loan Servicing Compliance Exam performed by the State of California Department of Business Oversight and the FY19 Guarantee Agency Security Assessment (GASA)-NIST Self-Assessment which she noted VSAC received a 100% rating on in the review. She noted the assessment is done annually and that we anticipate a similar review structure for FY20.

### **FY20 Proposed Internal Audit Plan (Draft)**

Laurie Oliver presented a draft of the FY20 proposed Internal Audit Plan, previously distributed. She noted the plan is a combination of risk and strategic priorities and reflects what we know to-date. Focus will be on participation in the Imaging System Replacement Project and the conversion to the new imaging system. Laurie also noted that every two years there is a compliance requirement

for a lender audit to be conducted by the guarantor, with the last review occurring 2016/2017. She indicated that she will update the Committee on the approach to the completion of that review. The VT State Grant is also included in the audit plan.

*Upon a motion made by Michael Smith and seconded by John McSoley, the Committee voted unanimously to approve the proposed FY20 Internal Audit Plan, as presented.*

**2018/2019 Form 990 Review**

The Committee transitioned to the review of the Form 990 prepared by Bruce Hicken and previously distributed.

*Upon a motion made by Michael Smith and seconded by John McSoley, the Committee voted unanimously to recommend to the Board of Directors the approval of the 2018-2019 Form 990 for submission, as presented.*

**Legal Update**

Tom Little noted there is no threatened or pending litigation.

**Other Business & Adjournment**

Scott Giles shared feedback that he received from Robert Smalley during the recent audit completed by BerryDunn and relayed that Mr. Smalley had expressed appreciation for the work done by VSAC staff. In addition to Anne Craige, he recognized the efforts of Bruce Hicken, Mike Stuart, and the Finance team.

There being no other business, the Committee adjourned at 1:44 p.m.

Respectfully submitted,

Tom Little  
Assistant Secretary