

Minutes of the Virginia Bankers Association
Audit Committee Meeting
Tuesday, June 1, 2021
Via Zoom

In attendance: Brad Schwartz, Tom Cherry, Leton Harding, and John Brough

Auditors: Amy Menefee and Courtney Corallo of Keiter.

Staff: Matt Bruning, DeMarion Johnston, Laurie Milligan, Stacy Puckett and Bruce Whitehurst.

Call to Order & Approval of Minutes

Brad Schwartz welcomed everyone and called the meeting to order. Minutes of the June 4, 2020 meeting were approved. Brad introduced the auditors from Keiter.

2019 Audit Reports & Management Letters

Amy and Courtney introduced themselves and Amy outlined the process they would review the reports. Amy noted that all reports were unqualified.

Virginia Bankers Association and Subsidiaries – Amy reviewed the Audit Results & Communications identifying the critical accounting policies used. She noted that the accounting policies used and the disclosures made were considered appropriate. She stated that the accounting principles and assumptions made by management were consistent with the prior year and were considered appropriate. Amy reviewed the sensitive accounting estimates used by Management and noted that they were reasonable and consistent with industry standards. There were no alternative accounting treatments discussed and no unusual transactions. There were no unadjusted audit differences, no disagreements with Management. Keiter is not aware of any illegal acts or fraud or any consultation with other accounts by Management. Amy noted that Keiter is independent of the Association and Subsidiaries. There were no deficiencies in internal control noted. Amy noted two new accounting standards. She brought to the Committee's attention that the one that may impact the VBA accounting in the future is the new accounting for leases.

Amy reviewed the Consolidated Statements of Financial Position, Consolidated Statements of Activities and the Consolidated Statements of Cash Flows. Amy pointed out and explained the major variances from the prior year. It was noted that the supplementary schedules were subject to audit procedures also. There was a brief discussion on the lack of disclosure of the PPP loan that MSI received and subsequently returned. Amy noted that there is not a requirement to disclose that transaction.

Virginia Bankers Association Group Medical & Dental Trust - The Audit Results & Communications Report was reviewed by Amy. She noted that the fair value of investments and IBNR estimates are the two significant management estimates. Keiter determined that the estimate made by Management are reasonable and consistent with industry standards. There were no other items of note.

Amy reviewed the Statements of Net Assets and the Statements of Changes in Net Assets and footnote disclosures. There was a brief discussion of the calculation of the IBNR liability. Amy noted that the liability is calculated by Anthem.

State Bankers Association Group Insurance Trust – The Audit Results & Communications Report was reviewed by Amy. There were no significant findings. Amy reviewed Statements of Net

Assets and the Statements of Changes in Net Assets and footnote disclosures noting that the trust handles the fully insured products offered by the VBA Benefits Corporation. The State Bankers Association Group Insurance Trust audit is not an ERISA audit.

Virginia Bankers Association PAC – Amy reviewed the Required Communications Report with no items of note. She reviewed the draft audit report containing the Statements of Cash Receipts and Disbursements stating that this report was not prepared on a GAAP basis but cash.

The Committee approved the audit drafts as presented.

Executive Session with Auditor

The committee met in executive session with Amy Menefee and Courtney Corallo. The auditors were excused.

Review of external IT audit

Stacy reviewed the IT Security Assessment conducted by Net Bank Audit. The overall rating issued by Net Bank Audit was “Low-4 level of vulnerability to threats”. Net Bank Audit was not successful in their attempts to get VBA staff to click on a link using social engineering. There were some items found that needed to be updated in the internal vulnerability assessment. These were addressed and corrected.

The Committee discussed going out to bid at the end of the five year term with Keiter. It was decided VBA would go out to bid at the end of the term as a matter of good due diligence.

The Committee also discussed the disclosure of the PPP loan that MSI received and then returned. It was decided that the disclosure would add no value to the report.

There being no other items of discussion the meeting was adjourned.

Minutes prepared by: Stacy Puckett