

# **MINUTES**

## **RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY BOARD OF DIRECTORS' MEETING**

**September 20, 2013**

**The 324th meeting of the Rhode Island Higher Education Assistance Authority was held Friday, September 20, 2013 in the McKenna Conference Room, 560 Jefferson Blvd., Warwick, RI. Chairwoman Ms. LaSalle called the meeting to order at 8:30 a.m.**

### **Board Members in Attendance:**

**Ms. Faith LaSalle, Chairwoman**

**Dr. William Croasdale, Vice Chairman**

**Mr. John Howell, Secretary**

**Mr. Robert J. Delaney**

**Mr. Dennis Duffy, Esq.**

**Mr. Daniel Egan**

**Ms. Patricia Doyle**

**Mr. Christopher Feisthamel, designee for General Treasurer Gina Raimondo**

### **Board Members Absent:**

**None**

**Also Attending:**

**Mr. Charles P. Kelley, Interim Coordinating Officer**

**Ms. Gail Mance-Rios, Deputy Director**

**Mr. Joseph Palumbo, Esq., Legal Counsel**

**Mr. Charles Miller, Chief Information Officer**

**Ms. Dana Peterson-Fatuda, Assistant Administrative Officer**

**Ms. Linda Makhlouf, Director of Program Administration, HR**

**Mr. Thomas Pearce, Interim Director of Program Administration,  
Account Resolution**

**Ms. Lisa Shevlin, Assistant Administrative Officer, WaytogoRI**

**Ms. Winnie Antos, Union Steward, RIHEAA**

**Ms. Patia Bertram, RIHEAA**

**Ms. Laurie Brayton, Legislative Analyst**

**Mr. Steven Straychzak, Council 94**

**Mr. Michael Ferry, RIDE**

**Mr. James Prescott, The Braver Group**

**Ms. Erica Olobri, The Braver Group**

**1. Approval of Minutes of the Board of Director's Meeting on July 19,  
2013:**

**Dr. Croasdale stated for the record that he wanted to dedicate a  
RIHEAA Chair to Mr. Solomon A. Solomon, a former board member.**

**The board agreed and the minutes were unanimously approved.**

**2. Action Item number 3 moved up: Approval of RIHEAA FY 2013 financial statement audit report: Ms. Erica Olobri and Mr. James Prescott from Braver Accountant & Advisors Group reported their findings, from the audit conducted at The Rhode Island Higher Education Assistance Authority (RIHEAA). Ms. Olobri stated that they found significant variances of \$200,000 that needs to be addressed. Ms. Olobri stated that the State Auditor General's Office has scheduled a meeting on Monday, September 23, 2013 to go over these findings. Ms. Bertram explained that the money is all there but in different accounts. Ms. Olobri stated that no reconciliation is being done, but Braver will work night and day to help get that fixed. Mr. Prescott stated, at times the Auditor General's office will give extensions to quasi-state agencies. Ms. LaSalle stated that she would like to have someone ask for this extension in order for the board to vote on the approval of the RIHEAA FY 2013 Financial Statement Audit report.**

**Mr. Howell asked if this has happened in the past. Mr. Prescott stated that the reconciliation in the past were immaterial variances. So we passed, because we got a third party in the state telling us one thing, the agency telling us another, but they were close, this year they are not close. Mr. Prescott explained, we are not able to explain the detail of the reconciliation, because of the break-down in communication.**

**Mr. Howell asked what changes do we have to make in order to keep this from happening in future years. Mr. Prescott stated that one of the recommendations that we are making is better internal control process and communication with the state. Mr. Kelley stated that in a prior meeting, we created a proposal to do a compliance checklist of a number of items; one would be that every month the bank accounts of RIHEAA are reconciled. The RFP has just gone out and we hope to have a firm in place by the end of October.**

**Ms. LaSalle stated that in light of this development, we are not in a position to vote on approving the audit report.**

**Mr. Delaney stated that the board should be assured that there has been communication to the Auditor General's office about what is happening at RIHEAA. Mr. Kelley stated that he is going to the Auditor General's Office and will report the results to the board.**

**Ms. Olobri stated that she will email Dr. Croasdale communications moving forward.**

**Ms. Olobri stated that two significant deficiencies that will be noted in the management letter; one is the cash disbursements approval; there were four invoices without documentation. Last year there were nine. The other is the reconciliation issue, particularly the State Treasurer account, having better internal controls. We are not getting information on that.**

**Ms. Olobri stated that there are no responses to the management letter from RIHEAA.**

**Mr. Prescott asked the board to review the report and if they have any questions, they can contact him or Mr. Kelley for the answers.**

**Mr. Delaney stated that we meet every month and if these issues exist, that is when we should handle them, on a monthly basis. We still don't have a resolution on the issues.**

**Mr. Prescott stated that in the agency's defense they have tried to correct some of these issues. We have been involved by helping control and correct the issues by doing an internal control study, but for whatever reason, we ran into a lot of communication problems. So, we weren't able to complete that. An effort was made.**

**Mr. Delaney asked Dr. Croasdale as the Finance Chairman, when did he become aware of the August 5th issue. Dr. Croasdale stated that he was not aware of it.**

**Mr. Delaney stated that if there is a communication issue, then that is an issue separate and apart.**

**3. Chairperson's Report: Ms. LaSalle stated that since the last board meeting the Finance and Personnel subcommittees met. They looked**

at how we can better use the human resources within the agency, in light of the limit of the FTE cap.

Ms. LaSalle stated that she was not aware of the House Oversight Committee on August 20th, but she will attend each hearing moving forward. Ms. LaSalle stated that she has watched the tape and took notes on it, so that we are able to provide the information as an agency that Representative Marcello is requesting. Ms. LaSalle stated that it was mentioned that the Oversight Committee would do something in 30-60 days about the future of RIHEAA. In light of that, Ms. LaSalle stated she called Representative Marcello and explained that we have new members on the board; we have a very energetic board, but some of us are becoming familiar with the intricacies of the working of both agencies (RIHEAA and RISLA). We do need more time to digest all of this information. Mr. Marcello only wants to know, when that agency is going to disappear. Ms. LaSalle stated that she asked Mr. Lacroix to do some projections of when the guaranty revenue will not be sufficient to balance the operating expenses. Ms. LaSalle asked Mr. Kelley for his best estimates on what that date will be. Mr. Kelley stated that with current staffing levels, current expenditure levels it will be June 30, 2016. Mr. Kelley asked RISLA staff for their best estimates and they stated that potentially it could break even in fiscal year 2015. Mr. Kelley stated that with some expense reductions it could keep going until fiscal 2016, and that is contingent on the federal government not changing the rules in terms of what the agency can retain for its defaults and

rehabilitations. The revenue for RIHEAA is sensitive to the collection rates, this current year RIHEAA did great.

Ms. LaSalle stated that after conversations with Mr. Lacroix if operating expenses were reduced over time, because we would need less people to do the guaranty work, then we could go into 2017. Mr. Kelley agreed.

Mr. Delaney asked if perhaps before appearing in front of the House Oversight Committee, we would be better off if the Board had some time to bring some people, like RIDE, Office of Higher Education, and some people that play a major role in what may happen, then look at the finances. Mr. Delaney stated that he recommends not taking any action. We need to sit down and take a look at what's happening, there's too many factors. Mr. Delaney stated that in conversations with the Office of Higher Education there's other opportunities to get information so the Board is better informed, including RIDE Fellows and who's interested in components of the programs.

Ms. LaSalle stated then the adoption of a strategic plan for RIHEAA is premature. Ms. LaSalle stated she will at least convey to Representative Marcello that the projected wind-down is June 2016.

**Ms. LaSalle stated that it is very clear to her that the guaranty agency is a very nice stream of revenue for the State of Rhode Island, and we could use that to educate Rhode Islanders. It should not be turned over to the federal government or to another guaranty agency.**

**Ms. LaSalle stated that here are the options that Mr. Kelley reported to her; we can take the guaranty portfolio and turn it over to the federal government and not get a stream of income anymore, or we could give it to a super guaranty agency and the same thing happens. We ought to keep the revenue here to give to the students of Rhode Island.**

**Mr. Duffy asked if the net revenue could be more. Mr. Kelley stated that he is not sure. Mr. Duffy stated that the smaller staff gets, the less efficient the agency becomes.**

**Mr. Kelley explained the four key functions of RIHEAA are, WaytogoRI, Guaranty Portfolio, CollegeBoundfund and the State Grant Program.**

**Ms. LaSalle stated that she attended a breakfast meeting yesterday and discovered that in Maine and Oklahoma, for every child born, they automatically, open a 529 account for \$500. So, we could be giving every baby born, even \$200 to start an account. Ms. LaSalle stated that she is a big advocate for the student. The**

**CollegeBoundfund advertising money could be used for this initiative.**

**Mr. Feisthamel stated that Alliance Bernstein pays this agency \$50 for every child that did not register for the program. Mr. Kelley stated that this year Alliance paid \$538,000, and \$4.0 mil of that has not been spent.**

**Mr. Duffy asked, what happens if the child is not interested in college. Ms. Mance-Rios replied, it could be used for any educational purpose after high school. The funding would be kept in the state's name, and if a student does not use the funding by the time they are thirty, the money would be recycled.**

**Ms. Mance-Rios stated that another aspect of this program is to incentivize behaviors. We can reinforce a variety of behaviors that research shows positively impact college attainment. So you start with the student as the center and then change the family behavior it potentially has incredible effects. Ms. Mance-Rios stated this initiative is still a work in progress.**

**Mr. Ferry stated that at RIDE they are in the process of building the Baby Race-to-the-Top with the learning challenge and collaborating with the Health Department. Babies will get their schools identification on the day they are born.**

**4. Review of Strategic Plan: Mr. Kelley distributed the four options of the program at RIHEAA. Mr. Kelley stated that state law prohibits outsourcing state jobs unless certain circumstances. Mr. Palumbo stated that it restricts outsourcing if it is going to result in the elimination of a state job. It would be problematic if you outsource work that people are currently doing.**

**Mr. Duffy stated that we would like to see that statue.**

**Discussions regarding bundling of other guaranty agencies both national and regional ensued.**

**Mr. Delaney stated that we would like the Board to sit down with other stakeholders: Rhode Island Department of Education, Office of Higher Education and the Budget Office, and Legislators before we send a strategic plan to the House Oversight Committee.**

**Ms. LaSalle scheduled a Board Retreat on Friday, October 11, 2013 and would like to invite RIDE, OHE, and the Treasurer's Office. She stated it would be half day meeting with a lunch.**

**The Board voted unanimously to have a Board Retreat on Friday, October 11, 2013.**

**Adjournment was at 10:00 a.m.**

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**Mr. John Howell**

**Secretary**