
***MISSOURI DEPARTMENT OF HIGHER
EDUCATION STUDENT LOAN PROGRAM
AUDITOR COMMUNICATIONS
JUNE 30, 2018***



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Missouri Department of Higher Education
Missouri Student Loan Program
Jefferson City, Missouri

We have audited the basic financial statements of the Missouri Student Loan Program (the Program) for the year ended June 30, 2018, and have issued our report thereon dated December 27, 2018. Our audit was performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement and presented in accordance with accounting principles generally accepted in the United States of America. Our audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. We also evaluated the appropriateness of accounting policies used by the Program and the reasonableness of significant accounting estimates made by the Program's management, as well as evaluated the overall presentation of the financial statements.

Auditing standards require the auditor to ensure that those charged with corporate governance receive additional information regarding the scope and results of the audit that may assist the governing body in overseeing the financial reporting and disclosure process for which management is responsible. The following describes matters which are required to be reported to you.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated July 25, 2018, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of responsibility for the accuracy of the financial statements.

Professional standards also require that we obtain an understanding of the Program's internal control. However, such understanding is required for the purpose of assessing the risks of material misstatement of the financial statements and to design the nature, timing, and extent of our audit procedures and not to provide any assurance concerning such internal control. Accordingly, we express no such assurance.

We have issued:

- An unmodified opinion on the Program's financial statements for the year ended June 30, 2018
- A report on compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards*

Other Information In Documents Containing Audited Financial Statements

In addition to the basic financial statements, the Program's financial statements include the following sections:

- The management's discussion and analysis and budgetary comparison schedules:
 - We applied certain limited procedures to this information in accordance with auditing standards generally accepted in the United States of America.
 - We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to do so.
- The statements of revenues, expenditures and changes in fund balances - governmental funds by object:
 - The information is not subjected to auditing procedures applied in the audit of the basic financial statements.
 - We do not express an opinion or provide any assurance on the information.

Planned Scope And Timing Of The Audit

We performed the audit as stated in our engagement letter dated July 25, 2018 regarding the nature, timing and extent of our audit procedures.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Program are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2018.

We noted no transactions entered into during the year for which there was a lack of authoritative guidance or consensus. No significant transactions have been recognized in a different period than when the transactions occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statement are:

- Determination of allowance for loan losses and default aversion rebate allowance
- Useful lives and depreciation methodology for capital assets
- Estimated collectability of receivables
- Period of availability for revenue recognition purposes

We evaluated the key factors and the assumptions used to develop the above estimates and determined they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statements' users. The most sensitive disclosures affecting the financial statements are:

- Note 1 - Nature of Operations (specifically, the description of the various loan programs on pages 31-34)
- Note 10 - Student Loans
- Note 11 - Contracted Services
- Note 14 - Contingencies

Corrected And Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management, and request their correction. We did not identify any corrected or uncorrected misstatements during our audit.

Difficulties Encountered In Performing The Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 27, 2018. A copy of that letter is included as an attachment to this letter.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principle to an entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings Or Issues

As the Program's auditors, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Missouri Department of Higher Education and management of the Program and is not intended to be and should not be used by anyone other than these specified parties.

RubinBrown LLP

December 27, 2018



December 27, 2018

RubinBrown LLP
One North Brentwood Boulevard
Saint Louis, Missouri 63105

We are providing this letter in connection with your audit of the financial statements of the Missouri Department of Higher Education Student Loan Program (the Program) as of June 30, 2018 and 2017 and for the years then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Program, and the respective changes in financial position thereof in conformity with United States Generally Accepted Accounting Principles (U.S. GAAP). We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. GAAP.

We understand we are responsible for management decisions and functions, for designating a qualified employee to oversee any nonattest services you provide, for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief the following representations made to you during your audit.

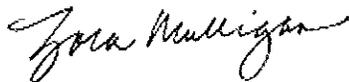
1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by U.S. GAAP to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud, including internal controls relevant to the

preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related party relationships and transactions including related accounts receivable or payable, sales, purchases, loans, transfers, leasing arrangement, and guarantees have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
7. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
8. Guarantees, whether written or oral, under which the Missouri Department of Higher Education is contingently liable, if any, have been properly recorded or disclosed.
9. We have provided or made available to you:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources;
 - b. Additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
 - d. Minutes of the meetings of those charged with governance, or summaries of actions of recent meetings for which minutes have not yet been prepared.
10. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
11. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
12. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
13. Except as disclosed to you, we have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
14. We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
15. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.

16. We have disclosed to you the identity of the Program's related parties and all the related party relationships and transactions of which we are aware.
17. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
18. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
19. The Program has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
20. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
21. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
22. The Program has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
23. The Program has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
24. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
25. The financial statements properly classify all funds and activities.
26. All funds that meet the quantitative criteria in Governmental Accounting Standards Board (GASB) Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
27. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
28. Investments are properly valued.
29. Provisions for uncollectible receivables have been properly identified and recorded.
30. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
31. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
32. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
33. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
34. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

35. We have appropriately disclosed the Program's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.
36. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
37. With respect to the supplementary information:
- a. We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.



Zora Mulligan
Commissioner



Marla Robertson
Assistant Commissioner