



Massachusetts Housing Finance Agency
One Beacon Street, Boston, MA 02108

TEL: 617.854.1000
FAX: 617.854.1091 | www.masshousing.com

Videophone: 857.366.4157 or Relay: 711

Investment and Audit Committee Meeting Minutes

Meeting Date and Time: June 9, 2020 at 1:00 p.m.

Meeting Location: In accordance with the Order Suspending Certain Provisions of the Open Meeting Law, GL.c.30A Section 20 issued by Governor Baker on March 12, 2020, no Members were physically present and the meeting was conducted remotely through a publicly accessible Zoom meeting.

Members Present: Michael Dirrane
Mark Attia (designee)
Ping Yin Chai

MassHousing Staff Present: Charles Karimbakas
Stephen Vickery
Paul Scola
Belmira Fallon
Nancy Slaney
Cynthia Fernandes
Qihong Li
Diane Cardinale
Colin McNiece
Laurie Bennett

PricewaterhouseCoopers (PwC)
Staff Present: Paul Hanley
Erin Foley
Charles Cornish

The meeting began at 1:00 p.m.

After commencement of the meeting, the committee members unanimously approved, by roll call, the minutes of the March 10, 2020 meeting of the committee.

Following such approval, Mr. Hanley presented PwC's audit plan for the FY20 audit. He summarized the audit's objectives and outlined the scope of this year's planning, noting it is very similar to the prior year, including the MassHousing audit and supporting materials, Mortgage Insurance Fund audit and supporting materials, the audit reports for Freddie Mac and Ginnie Mae, and quarterly interim financials. He confirmed PwC's responsibility to provide an independent opinion on the reasonableness

of MassHousing's financial statement presentation in accordance with GAAP and to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.

Mr. Cornish then described the risk-assessment process and the audit's top-down, risk-based approach. He noted significant risks such as management override of controls and risk of fraud, presumed significant in all audits, and allowance for loan loss and then described the materiality assessment.

Mr. Hanley noted that materiality applies differently in different contexts, non-compliance for example is not an issue of materiality but the fact of compliance or non-compliance.

Mr. Cornish continued outlining the scope of the audit and the PWC team's engagement with the Agency's internal audit team and leverage of their work.

Ms. Foley then presented the client service team, highlighted the addition of Todd Burns and Dan Allen, and outlined the timeline and communication plan.

Mr. Dirrane asked, in the Covid environment, what unique challenges might the Agency expect to face and what risks did PWC see.

Mr. Hanley noted how quickly the PWC and MassHousing teams had transitioned to the remote work environment, that PWC does not envision any delays or changes to the timeline, and that the audit should be delivered in late September. He noted that both sides had been investing in technology over the past few years and it had become a lifeline in the new workplace. The biggest challenge is managing the longer time that tasks take because more deliberate scheduling and communication becomes necessary.

Mr. Vickery stated that the Agency had been digitizing for the last few years and being forced into a remote environment has revealed what's left to do in that regard.

Mr. Karimbakas commented that the remote environment has forced the Agency to utilize fewer manual process and many of the plans that were expected to be implemented over time have been accelerated.

Mr. Hanley also noted that, in regard to risks, and particularly the loan loss reserve, the Agency needs to keep in mind that the audit will be as of June 30 but that there could be significant changes taking place as federal and state assistance phases out. The loan portfolio may not move as predictably as it had.

Mr. Attia shared information from the Home Ownership Committee and the data coming in that could be attributable to Covid.

Ms. Fernandes then presented an update on Internal Audit and noted that uncertainty is likely the biggest risk in the near term. She presented the status of the internal audit plan as of the end of the third quarter, describing the changes going forward in response to the IT department workload in the remote environment and Internal Audit's shift to a more support focused role during the pandemic response. In response to the rapid remote transition, Internal Audit undertook a review and documentation of the Agency's financial statement controls and changes to the control environment. Mr. Fernandes also noted the recent update of the Agency's Fraud Policy, her discussions with managers

and directors to raise awareness of the policy and the fraud controls that are in place, and described a successful test of the fraud hotline in May.

Mr. Chai inquired about controls for the transfer of funds by wire. Ms. Fernandes responded that the Agency has migrated certain process to wires and that there are controls in place that are owned by the Treasury group and the department has been able to test those controls.


Mr. Dirrane asked if there were any other matters to discuss.

The members then voted to adjourn.

The meeting concluded at approximately 1:45 p.m.

A true record.

Attest.



Colin M. McNiece
Secretary

Meeting Materials:

- Minutes of the March 10, 2020 Meeting
- PwC Report to the Investment and Audit Committee, 2020 Audit Plan
- Internal Audit Update, June 9, 2020, including
 - Investment and Audit Committee Quarterly Internal Audit Report (Q3 2020)
 - IIA publication, Covid-19 and Internal Audit