



Massachusetts Housing Finance Agency
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Investment and Audit Committee Meeting Minutes

Meeting Date and Time: June 14, 2022, at 1:00 p.m.

Meeting Location: In accordance with Section 20 of An Act Extending Certain COVID-19 Measures Adopted During the State of Emergency, 2021 Mass. Acts 20, and Section 8 of An Act Making Appropriations for the Fiscal Year 2022 to Provide for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects, 2022 Mass. Acts 22, this meeting was conducted through remote audio and video participation by the Members of MassHousing.

Committee Members Present: Mike Dirrane
Ping Yin Chai
Mark Attia

Other Members Present: Jeanne Pinado

MassHousing Staff Present: Rachel Madden
Stephen Vickery
Paul Scola
Paul Hagerty
Nancy Slaney
Laurie Bennett
Colin McNiece
Cynthia Fernandes
Hayden Smith

PricewaterhouseCoopers (PwC)
Staff Present: Nipa Patel
Jonathan Carbone
Rory O'Conner

The meeting began at 1:00 p.m.

Mr. Dirrane called the meeting to order and proceeded to ask for the approval of the minutes of the March 29, 2022 meeting. Upon a motion duly made and seconded, the members unanimously voted, by roll call, to approve the minutes of the March 29, 2022 meeting.

Following such approval, Ms. Fernandes reviewed the Investment and Audit Committee Report for the third quarter (Q3) of Fiscal Year 2022 (FY2022). She gave an update on the Internal Audit staff composition, noting that Qihong Li transferred to another department within the Agency. She explained that the FY2022 Audit Plan was completed ahead of schedule. Ms. Fernandes then reviewed the audits completed during Q3, highlighting the HomeOwnership Quality Control point in time audit and the E-MassHousing Replacement project audit. For the HomeOwnership Quality Control point in time audit, she noted that a “moderate” risk finding was found, which related to the Ginnie Mae Mortgage-Backed Securities (MBS) Guide and was a repeat finding from the PwC FY2021 audit. Ms. Fernandes noted that Internal Audit recently performed retesting and closed the finding. She then discussed the “Generally Effective” opinion for the E-MassHousing Replacement project audit. Specifically, she noted that the opinion was issued in February, and that the report highlighted risks associated with the project’s schedule, scope, and cost that were impacting the overall project success criteria. Ms. Fernandes noted that the project responded to those risks and is trending towards “effective”.

Ms. Fernandes then presented the engagements performed by assurance providers other than Internal Audit. She noted that there were four engagements to highlight. The Fannie Mae Mortgage Origination Risk Assessment (MORA) and Project Based Contract Administration audit engagements were completed, and no findings were identified. Ms. Fernandes noted that two cash reviews were announced in the quarter relative to the HomeOwnership business line. There were three high-risk compliance findings identified in the Ginnie Mae Cash Review. The severity of the findings were due to the scope, and cash processes are generally considered a high risk business area. Ms. Fernandes noted that one finding was associated with non-liquidating events, and two findings were similar; the two findings were because the bank signature card did not match the requisite HUD form. Ms. Fernandes highlighted that MassHousing corrected the issue within a week. Ms. Pinado asked whether the finding related to cash transactions or the MassHousing cash accounts. Ms. Fernandes responded that it was the documentation and naming convention of the cash accounts, and not an issue with the cash activity.

Ms. Fernandes presented the 2023 Internal Audit Plan. She discussed the process associated with developing the plan. She also noted that the plan takes into consideration the other assurance providers, so the Internal Audit team does not duplicate efforts. Ms. Fernandes discussed the FY2022 Agency Risk Profile to the updated FY2023 Risk Profile, noting that the aggregate risk remains consistent year over year. She then discussed the proposed FY2023 Internal Audit Plan. She noted that there are 11 potential engagements for the year. She emphasized the Common Controls audit, where Internal Audit will test the common controls executed by MassHousing over the new federal awards. She also noted that specific programs will be audited, such as the Affordable Housing Trust Fund (AHTF) and the Neighborhood Stabilization programs. Mr. Attia asked if the Homeowner Assistance Fund (HAF) program will be included in the Common Controls audit. Ms. Fernandes answered that the HAF, American Rescue Plan Act (ARPA) Down Payment Assistance (DPA), and Commonwealth Builder programs are all included, along with other Federal funding. Mr. Attia said that the Massachusetts Executive Office for Administration and Finance (A&F) would be interested in the details of the engagement and controls tested over the HAF program. Ms. Fernandes confirmed that when the engagement is scoped, Internal Audit will specify the controls that are tested, and the assurance provided.

With no further questions, Mr. Dirrane moved on to the PwC Presentation of the Fiscal Year 2022 Audit Plan.

Ms. Patel introduced the PwC team and referred to the Presentation of the FY22 Audit Plan. She explained PwC's process to rotate engagement partners, with a purpose of maintaining auditor independence. Ms. Patel then highlighted the risk assessment related to the material misstatement of the financial statements. She discussed the risk of management override of controls, which is also considered a fraud risk. Ms. Patel then explained the risk assessment for the Mortgage Insurance Fund (MIF). She also explained the test work to address the significant risks.

Ms. Patel explained PwC's materiality considerations. She noted that the considerations used in the past were valid and will be used for the FY2022 engagement. She also explained the other required communications. Ms. Patel discussed changes in Environmental Social and Governance (ESG) reporting, which is a topic of many public and private institutions. Specifically, the Securities and Exchange Commission (SEC) recently made a rule proposal that would change disclosure requirements related to climate related risks. Ms. Patel noted that while the Agency wouldn't be required to follow the ruling, ESG reporting may be of interest to investors.

Mr. Attia encouraged the Agency to consider how the recent SEC guidance would impact Agency reporting. He recommended reporting based on specific required guidance, as opposed to broader standards, as there are various approaches to ESG reporting in the current market. Ms. Pinado inquired whether the Agency's environmental footprint included the properties the Agency finances, as well as the Agency. Ms. Patel reiterated that the Agency is not required to follow the rule and highlighted that the guidance may be of interest in the Agency's disclosures. Mr. McNiece noted that most of the Agency issued bonds are sustainable bonds that adhere to ESG reporting frameworks. Additionally, he emphasized that the Agency included sustainable practices in the 5-Year Strategic Business Goals.

There were no further questions or comments.

At approximately 1:29 p.m. members of MassHousing staff left the room so that the Committee could speak independently with PwC, after which the meeting concluded at approximately 1:38 p.m.

A true record.

Attest.



Colin M. McNiece
Secretary

Meeting Materials:

- Approval of March 29, 2022 Minutes
- Internal Audit Update
- PwC – Presentation of the FY22 Audit Plan