



Massachusetts Housing Finance Agency
One Beacon Street Boston, MA 02108

Tel: 617-854-1000
Fax: 617-854-1091

Relay 711
www.masshousing.com

Investment and Audit Committee Meeting Minutes

Meeting Date and Time: March 12, 2024, 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, as amended, this meeting was conducted through remote audio and video participation by the Members of MassHousing's Investment and Audit Committee.

Committee Members Present: Jeanne Pinado
Carolina Avellaneda
Herby Duverne
Kaitlyn Connors

MassHousing Staff Present:
Stephen Vickery
Sandra Bakaysa
Mina Ebanculla
Nancy Slaney
Robert Wong
Belmira Fallon
Paul Hagerty
Carol McIver
Laurie Bennett
Cynthia Fernandes
Simone Ward

CliftonLarsonAllen LLP (CLA)
Staff Present: Chris Rogers

The meeting began at 1:03 p.m.

Ms. Pinado called the meeting to order and proceeded to ask for the approval of the minutes of the December 13, 2023, meeting. Upon a motion duly made and seconded, the members unanimously voted, by roll call, to approve the minutes of the December 13, 2023 meeting.

Following such approval, Ms. Fernandes reviewed the Investment and Audit Committee Report for the second quarter (Q2) of Fiscal Year 2024 (FY24). Ms. Fernandes stated that the Internal Audit team is making steady progress on the FY24 Internal Audit Plan and that there are no anticipated changes to the plan. She noted that two engagements were completed in Q2. Ms. Fernandes noted that the two engagements were the Treasury Point in Time Audit and the interim coverage of the Rental Lifecycle Software Project Audit; "Effective" opinions were issued for both. Ms. Fernandes stated that there were no instances of fraud reported during Q2.

Ms. Fernandes reviewed page two (2) of the report. She highlighted that items six (6) to nine (9) were updated in Q2. She noted that Other Post Employment Benefits (OPEB) fiscal year end was adjusted. Accordingly, two audit engagements are anticipated in MassHousing Fiscal year (July 1, 2023 through June 30, 2024). She deferred to Mr. Rogers to speak on items seven (7) the Schedule of Expenditures and Federal Awards (SEFA) Audit and eight (8) the Affordable Housing Trust Audit in more detail; no significant findings were identified in either engagement. She concluded by stating that the annual Project Based Contract Administration (PBCA) compliance review performed by the U.S Housing and Urban Development (HUD) was successfully completed with no findings.

There were no questions on this presentation.

Mr. Rogers began the CLA presentation on the MassHousing Uniform Guidance Audit by thanking MassHousing team their support during the engagement. He proceeded to review the terms of the engagement and highlighted the results of the audit. Mr. Rogers noted that the audit resulted in an "Unmodified Opinion" of the SEFA and Compliance with Major Federal Programs. He notes there were no compliance or internal control findings reported. Mr. Rogers affirmed that: there were no difficulties encountered during the engagement; no transactions lacked authoritative guidance; disclosures were neutral, consistent, and clear; and there were no uncorrected and corrected misstatements. Mr. Rogers concluded by thanking Mr. Vickery and his team for their assistance throughout the audit and reiterated the engagement results were consistent with prior years.

Ms. Pinado expressed her contentment with the results.

Mr. Vickery made a note to the Internal Audit Update report and stated that although the Affordable Housing Trust Audit is listed on the report and that CLA in fact performs the AHTF audit, the financial results are not reported during these meetings. The Committee is informed of significant issues and the financial results are reported to the Executive Office of Housing and Livable Communities (EOHLC), as MassHousing administrates the funds on their behalf.

The Committee members thanked him for the additional information.

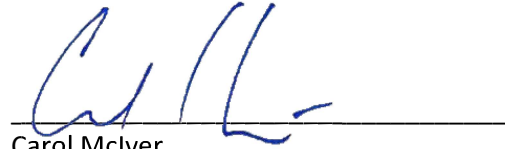
Ms. Avellaneda commended the team on the great work.

There were no further questions or comments.

At approximately 1:10 p.m. members of MassHousing staff left the meeting so that the Committee could speak independently with CLA, after which the meeting concluded at approximately 1:18 p.m.

A true record.

Attest.



Carol McIver
Assistant Secretary

Meeting Materials:

- Approval of December 12, 2023 Minutes
- Internal Audit Update
- CliftonLarsonAllen LLP (CLA) Required Communications
 - RE: MassHousing 2023 Uniform Guidance Audit



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Investment and Audit Committee Meeting Minutes

Meeting Date and Time: December 12, 2023, at 1:15 p.m.

Meeting Location: The regular meeting of the Members of MassHousing's Investment and Audit Committee was held at One Beacon Street, Boston, MA 02108.

Committee Members Present: Jeanne Pinado (*joined at 1:26 p.m.*)
Carolina Avellaneda
Herby Duverne
Kaitlyn Connors

MassHousing Staff Present:
Rachel Madden
Paul Scola
Stephen Vickery
Sandra Bakaysa
Robert Wong
Belmira Fallon
Nancy Slaney
Colin McNiece
Cynthia Fernandes
Hayden Smith
Simone Ward

PricewaterhouseCoopers (PwC)
Staff Present: Nipa Patel
Michael Stankus

The meeting began at 1:19 p.m.

Ms. Avellaneda called the meeting to order and proceeded to ask for the approval of the minutes of the September 12, 2023, meeting. Upon a motion duly made by Mr. Duverne and seconded by Ms. Connors, the present members unanimously voted to approve the minutes of the September 12, 2023, meeting.

Following such approval, Ms. Fernandes reviewed the Investment and Audit Committee Report for the first quarter (Q1) of Fiscal Year 2024 (FY24). Ms. Fernandes gave an overview of how the report is structured, noting that page one (1) of the report reflected the work of Internal Audit (IA) and page two (2) is the results of other assurance providers. She mentioned that internal audit generally performs fewer engagements in the first quarter since the main focus of the IA team and Agency is supporting the financial statement audit. Ms. Fernandes mentioned that the IA team is steadily making progress on the Internal Audit FY24 Audit Plan and there are no changes to be reported. She asserted to the Committee that Internal Audit is independent with respect to the FY24 Audit Plan, and that she is not aware of any condition that would impact the independence or objectivity of the staff completing the plan. She further stated that there were no instances of fraud reported during Q1. Ms. Fernandes then referred to page two (2) of the report and highlighted the various anticipated audits to be performed by external assurance providers within the fiscal year. She highlighted that: there was one (1) finding as a part of the Ginnie Mae audit performed by PwC; this issue has been fixed with automated controls; and IA will perform retesting around January - February 2024 to validate that repeat issues will not occur. She mentioned that the Schedule of Expenditures of Federal Awards (SEFA) and Affordable Housing Trust Fund (AHTF) audits were also issued last week with no findings.

Mr. Duverne inquired regarding the timing of the assurance engagements, noting that most occur from June through September. Ms. Fernandes replied that the Agency's fiscal year end is June 30, and accordingly, many of the audit engagements occur in first quarter to meet filing requirements. Ms. Fernandes noted that engagements 1 - 8 of the Assurance Map are on a set frequency, but other assurance engagements, usually performed by the Agency's investors, can occur on an ad hoc basis. Mr. Vickery added that PwC completed their required communications associated with year-end activities prior to the meeting, but there would be an executive session at the end of the meeting where the Committee could discuss the engagement details with PwC, if they would like.

At approximately, 1:26 p.m. Ms. Pinado joined the meeting.

Ms. Pinado inquired regarding MassHousing's ongoing discussions with the Division of Banks (DoB). Mr. McNiece noted that he was in contact with the DoB's General Counsel. Mr. McNiece noted that MassHousing and the DoB agreed that MassHousing's statute is ambiguous. They resolved to jointly pursue clarification and, in the meantime, a memorandum of understanding, or other document, will be agreed upon to clarify that MassHousing is not required to register or file licenses with the DoB.

Ms. Fernandes reviewed the 2024 Risk in Focus Board Briefing created by the Internal Audit Foundation. She highlighted that the key risks noted in the report were similar to the risks actively monitored by the Agency. There were no further questions and Ms. Patel, along with Mr. Stankus, presented on behalf of PwC.

Ms. Patel stated that PwC completed an annual survey of Corporate Directors. She proceeded to review the key findings from the 2023 survey. Ms. Patel noted that, per the survey, more directors are prepared for Environmental Social and Governance (ESG) disclosures, but only half see the link between ESG and company strategy. Ms. Patel noted that for MassHousing, the mission is clearly stated and linked to ESG goals. Ms. Patel then mentioned that, based on the other clients PwC works with, they have observed changes in Board composition to support ESG reporting and some clients have created ESG committees. Ms. Patel stated that this trend is mostly in large public organizations. Mr. Stankus also commented that the financial services sector is also taking a lead in emphasizing ESG.

Ms. Avellaneda inquired regarding MassHousing's ESG efforts. Mr. Scola noted that one of MassHousing's 5-year goals was to issue 75% of its bonds under ESG designations, and MassHousing has surpassed this goal with over 90% of its bonds falling under ESG designations. He stated that MassHousing recently published their ESG framework to its public site, and that the framework was reviewed by S&P. Ms. Madden also highlighted that at a recent conference, geared towards financial service professionals, MassHousing was called out as having one of the best ESG frameworks and should be used as a model.

Ms. Pinado remarked regarding the negative trend where only 54% of ESG issues related to strategy. Ms. Patel responded that though there isn't any standardization of the information reported on ESG, third-party verification of the information reported strengthened the confidence of directors' preparation for ESG.

Ms. Patel continued the presentation highlighting statistics on Board confidence relative to crisis management and whether they felt confident guiding the company through a crisis.

The Board discussed different crisis scenarios and Ms. Connors inquired regarding the difference between crisis management, incident management, and business continuity. Ms. Pinado also inquired if MassHousing has any protocols for an active shooter in the building.

Ms. Madden noted that MassHousing has a business continuity plan that is regularly reviewed and updated. Mr. Scola highlighted that there are different task groups in the Agency that are prepared to deal with incidents. Mr. McNiece added that there is a written cybersecurity policy that covers cyber incidents and further commented that based on the nature of the crisis different experts throughout the Agency would be engaged. He noted that a cyber incident would be dealt differently than a public relations incident, however, in both scenarios a group is designated to rapidly resolve the matter. He noted that the different protocols are enacted, as needed.

Mr. Stankus continued the presentation highlighting the statistics surrounding cybersecurity. He also noted that there is a new SEC rule requiring material cybersecurity incidents be disclosed.

Ms. Patel concluded by reviewing the comments on core board practices. She stated that many organizations are investing in training and engaging specialists to support the board members' preparation.

There were no further questions or comments.

At approximately 1:37 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 2:03 p.m.

A true record.

Attest.



Colin M. McNiece
Secretary

Meeting Materials:

- Approval of September 12, 2023, Minutes
- Internal Audit Update
- PwC Presentation – Annual Corporate Directors Survey

MassHousing

Internal Audit Update

March 12, 2024

Cynthia Fernandes

Investment and Audit Committee Quarterly Internal Audit Report (Q2 2024)

FY2024



Audit Plan Progress

Audit Plan Progress		
Completed	3	38%
Planned	5	63%
Original Plan	8	100%

Engagement	Opinion*	Scope	Objectives	Significant Findings**
Treasury Point in Time Engagement	<i>Effective</i>	Key processes performed by Treasury from September 1, 2022 to September 30, 2023.	We determined that: wire and transfer processes controls were designed effectively and operating as intended; adequate controls existed for the monthly debt service waterfall process; effective controls were in place for the opening and closing of bank accounts; and user accounts in trustee and bank account applications were appropriately provisioned.	None
Rental Lifecycle Software – Project Audit	<i>Effective</i> (Interim 4 Opinion)	We were given access to all activities supporting the project. The interim period related to project activities occurring from May 6, 2023 to November 10, 2023.	We determined that despite schedule delays, project management activities were <i>effective</i> .	None

Changes Made to the FY2024 Audit Plan:

ON TRACK: No changes have been made to the plan.

Fraud Program Activities:

- No hotline calls were made, and we were not made aware of any instances of “fraud” in the Agency.
- In line with International Fraud Awareness Week (November 12th – 18th), all employees were required to acknowledge MassHousing’s Anti-Fraud Policy.

* An *Effective* internal audit opinion indicates that controls reviewed are effectively and efficiently designed to manage risks and operating as intended; minor concerns may be noted that may require management’s action. A *Generally Effective* internal audit opinion indicates that concerns were noted relative to the design of controls or operating effectiveness that introduce some risk to the organization; various or significant concerns were noted that require management’s attention. A *Not Effective* internal audit opinion indicates that controls were not effectively and efficiently designed to manage risks or were not operating as intended and introduce significant risks requiring Senior management’s attention. *No Opinion Expressed* indicates that Internal Audit did not evaluate control activities and was performing an engagement at the request of Management.

** *Significant Findings* indicate instances where action is required to avoid exposure to significant risks (i.e. where failure by management to act could result in critical or major consequences for the Agency). Audit will perform follow up within 30 to 90 days to ensure controls are put in place and risks are mitigated. High and Moderate risk issues may require Senior Management or Board level attention to receive appropriate remediation.

Other Assurance Providers & Regulatory Reviews:

Internal Audit maintains an Assurance Map, tracking the Agency’s outside assurance activities. Assurance activities include: audits, reviews, and regulatory compliance engagements. When findings are identified in these engagements, Internal Audit works with Management on remediation plans. Below is an excerpt of the FY2024 Assurance Map:

#	Assurance Provider Audit/Review or Reg. Review	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
1	PwC Financial Statement Audit	■			●								
	PwC Financial Statement Audit (IT Portion)	■		●									
	PwC Financial Statement Quarterly Reviews						■			■			■
2	PwC Mortgage Insurance Fund Audit	■			●								
3	PwC Ginnie Mae Audit (Single Family)	■			●								
4	PwC Ginnie Mae Audit (Multi-Family)	■			●								
5	CLA OPEB Trust Audit (Stub YE 12/31/22)	■		●									
6	CLA OPEB Trust Audit (YE 12/31/23)										■		
7	CLA SEFA Audit	■						●					
8	CLA Affordable Housing Trust Audit	■						●					
9	HUD PBCA Review					■			●				
10	Freddie Mac - MIF CORE Review	■		●									
11	Fannie Mae - MIF MORA		■			●							

Legend - Coordinating Division				Legend - Findings	
■	Finance	■	Information Technology	◆	Significant Finding**
■	HomeOwnership	■	Internal Audit	●	Compliance Finding***
■	Rental	■	Not Announced Yet	●	No Reportable Finding

Summary of Findings by Other Assurance Providers:

The Ginnie Mae Audit issue was reported in Q1. No new issues were identified.

** Significant Findings indicate instances where action is required to avoid exposure to significant risks (i.e. where failure by management to act could result in critical or major consequences for the Agency). Audit will perform follow up within 30 to 90 days to ensure controls are put in place and risks are mitigated. High and Moderate risk issues may require Senior Management or Board level attention to receive appropriate remediation.

*** Compliance Findings indicate instances where a high or moderate issue is identified relative to a specific engagement scope or compliance standard; the scope of the engagement may be a compliance audit or a review.



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MassHousing 2023 Uniform Guidance Audit

Exit Conference

March 12, 2024

Agenda



**Terms of
engagement**



**Executive
summary**



**Required
communications**



Questions

Terms of Engagement

Expression of an opinion on whether the Schedule of Expenditures of Federal Awards (SEFA) is presented (in all material respects) in accordance with the modified cash basis of accounting

Expression of an opinion on compliance related to MassHousing's major federal award programs

Report on internal control over compliance related to major federal award programs



Executive Summary

Unmodified Opinion issued for both the SEFA and Compliance with Major Federal Programs

Federal Expenditures reported totaled \$1.1B

Major Federal Programs

Assistance Listing No. 14.195 Housing Assistance Payments Program for Low Income Families
Assistance Listing No. 21.026 Homeowner Assistance Fund Program

No compliance or internal control findings reported



Required Communications



Significant Accounting Policies

Management is responsible and are described in Note 1

All significant transactions recognized in SEFA

No transactions lacked authoritative guidance



Note Disclosures

Disclosures are neutral, consistent and clear



Difficulties Encountered

None



Uncorrected and Corrected Misstatements

None

Required Communications



Disagreements with Management

None



Management Representations

Requested certain representations from management that are included in management representation letter



Management's Consultations with Other Independent Accountants

None that we're aware of



Significant Issues Discussed with Management Prior to Engagement

All within the normal course of our professional relationship



Questions



Chris Rogers, CPA
Managing Principal of Industry, State and Local Government
Chris.Rogers@claconnect.com



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MASSACHUSETTS HOUSING FINANCE AGENCY

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2023

**Independent Auditors' Report on the
Schedule of Expenditures of Federal Awards**

**Independent Auditors' Report of Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of the Schedule of Expenditures of Federal Awards
Performed in Accordance with *Government Auditing Standards***

**Independent Auditors' Report on Compliance for Each Major
Federal Program and Report on Internal Control Over Compliance
Required by the *Uniform Guidance***



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**MASSACHUSETTS HOUSING FINANCE AGENCY
SINGLE AUDIT REPORT
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YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Investment and Audit Committee of the Members of
Massachusetts Housing Finance Agency and Affiliates

Report on the Schedule of Expenditures of Federal Awards

Opinion

We have audited the accompanying Schedule of Expenditures of Federal Awards (the Schedule) of the Massachusetts Housing Finance Agency (MassHousing) as of and for the year ended June 30, 2023, and the related notes.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the expenditures of federal awards of MassHousing as of and for the year ended June 30, 2023, in conformity with the basis of accounting as described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Schedule section of our report.

We are required to be independent of MassHousing and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

As more fully described in Note 1, the Schedule is prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the Schedule in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* and the Uniform Guidance will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedule.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedule.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MassHousing's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023, on our consideration of MassHousing's internal control over financial reporting of the Schedule and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MassHousing's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MassHousing's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
November 30, 2023



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Investment and Audit Committee of the Members of
Massachusetts Housing Finance Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Expenditures of Federal Awards (the Schedule) of the Massachusetts Housing Finance Agency (MassHousing), as of and for the year ended June 30, 2023, and have issued our report thereon dated November 30, 2023. Our report on the Schedule included an emphasis of matter paragraph describing the basis of accounting described in Note 1 of the Schedule.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the Schedule, we considered MassHousing's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of MassHousing's internal control. Accordingly, we do not express an opinion on the effectiveness of MassHousing's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Schedule will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

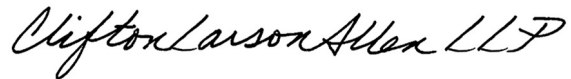
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MassHousing’s Schedule is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the Schedule. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Boston, Massachusetts
November 30, 2023



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Investment and Audit Committee of the Members of
Massachusetts Housing Finance Agency

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Massachusetts Housing Finance Agency's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Massachusetts Housing Finance Agency's major federal programs for the year ended June 30, 2023. The Massachusetts Housing Finance Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Massachusetts Housing Finance Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Massachusetts Housing Finance Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Massachusetts Housing Finance Agency's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Massachusetts Housing Finance Agency's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Massachusetts Housing Finance Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Massachusetts Housing Finance Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Massachusetts Housing Finance Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Massachusetts Housing Finance Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Massachusetts Housing Finance Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Boston, Massachusetts
November 30, 2023

**MASSACHUSETTS HOUSING FINANCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	Assistance Listing Number	Other Award Number	From Pass- Through Awards	Expenditures		
					From Direct Awards	Total	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development	Housing Assistance Payments Program for Low Income Families (Section 8 TCA)	14.195	N/A	\$ -	\$ 3,463,884	\$ 3,463,884	\$ -
U.S. Department of Housing and Urban Development	Housing Assistance Payments Program for Low Income Families (Section 8 PBCA)	14.195	N/A	-	1,117,462,560	1,117,462,560	-
U.S. Department of Housing and Urban Development	Operating Assistance for Troubled Multifamily Housing Projects (Loan Program)	14.164	N/A	-	376,849	376,849	-
Total - U.S. Department of Housing and Urban Development				\$ -	\$ 1,121,303,293	\$ 1,121,303,293	\$ -
U.S. Department of the Treasury	Capital Magnet Fund (Fiscal Year 2019)	21.011	N/A	\$ -	\$ 318,199	\$ 318,199	\$ -
U.S. Department of the Treasury	Capital Magnet Fund (Fiscal Year 2020)	21.011	N/A	-	1,008,024	1,008,024	-
U.S. Department of the Treasury	Capital Magnet Fund (Fiscal Year 2021)	21.011	N/A	-	600,000	600,000	-
U.S. Department of the Treasury	COVID-19 - Homeowners Assistance Funds (Assistance Contract)	21.026	HAF0174	16,009,735	-	16,009,735	-
U.S. Department of the Treasury	COVID-19 - Homeowners Assistance Funds (Marketing Contract)	21.026	HAF0174	769,498	-	769,498	-
Total - U.S. Department of the Treasury				\$ 16,779,233	\$ 1,926,223	\$ 18,705,456	\$ -
Total Federal Awards Expended				\$ 16,779,233	\$ 1,123,229,516	\$ 1,140,008,749	\$ -

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**MASSACHUSETTS HOUSING FINANCE AGENCY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the accounts of the Massachusetts Housing Finance Agency's (MassHousing) federal award programs, except for U.S. Department of Housing and Urban Development's (HUD) Financial Adjustment Factor (FAF) program, which is subject to a separate triennial audit. The Schedule has been prepared on the modified cash basis, a basis of accounting allowable by the U.S. Office of Management and Budget and HUD, as it pertains to the federal award programs. The significant accounting policies followed are described below to enhance the usefulness of the Schedule to the reader.

(a) Cash and Cash Equivalents

MassHousing considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

(b) Cash Receipts/Revenue

Revenue is recognized when funds are received from federal government sources. Interest income is recognized when it is credited to accounts by banking institutions.

(c) Cash Disbursements/Expenditures

Expenditures for the loan program are based on the total outstanding loan balances at June 30, 2023, inclusive of accrued interest (Note 3). All other expenditures are recognized when paid.

(d) Indirect Costs

MassHousing does not charge indirect costs to the following federal financial assistance programs: Section 8 (Federal Assistance Listing No. 14.195), Operating Assistance for Troubled Multifamily Housing Projects (Federal Assistance Listing No. 14.164) and Capital Magnet Fund (Federal Assistance Listing No. 21.011). MassHousing does charge indirect costs on the Homeowner Assistance Fund (Federal Assistance Listing No. 21.026) and elected to use the 10-percent de minimus indirect cost rate identified in §200.414 of the Uniform Guidance.

NOTE 2 INTEREST INCOME

Included in cash receipts under the Housing Assistance Payments Program for Low Income Families (Federal Assistance Listing No. 14.195) is \$2,968 of interest income earned on federal funds held on deposit for the year ended June 30, 2023.

Included in cash receipts under the Capital Magnet Fund (Federal Assistance Listing No. 21.011) is \$350,673 of interest income earned on federal funds held on deposit for the year ended June 30, 2023.

This information is an integral part of the accompanying Schedule.

**MASSACHUSETTS HOUSING FINANCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

NOTE 2 INTEREST INCOME (CONTINUED)

Included in cash receipts under the Homeowner Assistance Fund (Federal Assistance Listing No. 21.026) is \$115,026 of interest income earned on federal funds held on deposit for the year ended June 30, 2023.

NOTE 3 FLEXIBLE SUBSIDY LOANS

During the year ended June 30, 2023, MassHousing administered one Flexible Subsidy Loan under HUD's Operating Assistance for Troubled Multifamily Housing Projects program (Federal Assistance Listing No. 14.164). This loan was issued to a project owner through MassHousing in a previous fiscal year for the purpose of restoring or maintaining the project's physical and financial soundness, to assist in the management of the project, and to maintain the low to moderate income character of the project. Repayment terms of the loan are contingent upon the cash flow of the project, and the loan bears interest at 1%. The loan outstanding and included on the Schedule, inclusive of accrued interest, at June 30, 2023 totaled \$376,849. Interest income earned and accrued on outstanding loans during the year then ended totaled \$2,500.

NOTE 4 CONTRACT ADMINISTRATION

MassHousing receives fee income in consideration for serving as HUD's contract administrator with respect to project-based Section 8 subsidy programs in the Commonwealth, including both the Traditional Contract Assistance (TCA) and the Performance-Based Contract Administration (PBCA) programs. Starting in 2011, HUD sought to achieve cost savings in the PBCA program and initiated the first of several processes for re-bidding PBCA administration in multiple states. Each such process has been withdrawn or overturned following legal challenges.

On February 1, 2022, MassHousing executed a tenth amendment to the Annual Contributions Contract (ACC) as PBCA administrator to HUD. This amendment extended the term of the ACC from February 1, 2022 to January 31, 2023 with the option by HUD to further extend the contract for up to four additional and successive extension terms of six calendar months each, subject to the availability of sufficient appropriations. This amendment made certain changes to the scope of work to be performed and compensation to be received, which in MassHousing's assessment will not significantly affect its operations or financial position.

On December 20, 2022, HUD gave notice of its election to extend the tenth amendment of the ACC, subject to the availability of sufficient appropriations, for the first extension term, which began on February 1, 2023 and ended on July 31, 2023. On May 12, 2023, HUD gave notice of its election to extend the tenth amendment of the ACC, subject to the availability of sufficient appropriations, for the second extension term, which began on August 1, 2023 and will end on January 31, 2024.

This information is an integral part of the accompanying Schedule.

**MASSACHUSETTS HOUSING FINANCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

NOTE 4 CONTRACT ADMINISTRATION (CONTINUED)

Effective June 1, 2023, HUD transferred the three remaining contracts, that MassHousing administered on HUD's behalf, from the TCA program into the PBCA program. MassHousing's Section 8 contract administration work under the TCA has concluded.

During the year ended June 30, 2023, MassHousing earned approximately \$27.5 million and \$190 thousand in fees for contract administration services under the PBCA and TCA contracts, respectively.

NOTE 5 CAPITAL MAGNET FUND

Effective April 27, 2020, MassHousing was awarded \$2.25 million from the U.S. Department of the Treasury's Community Development Financial Institutions (CDFI) Fund (the Capital Magnet Fund); effective April 26, 2021, MassHousing was awarded \$5.80 million; and effective October 14, 2022, MassHousing was awarded \$12.0 million. The CDFI Fund offers competitively awarded grants to finance affordable housing solutions and community revitalization efforts that benefit low-income people and communities nationwide. These awards can be used to finance affordable housing activities, as well as related economic development activities and community service facilities and to pay direct administrative expenses. MassHousing will use the funds to provide gap-filler financing for rental housing (\$17.8 million) and to provide down payment assistance loans to income-eligible first-time homebuyers (\$2.3 million).

NOTE 6 HOMEOWNER ASSISTANCE FUND

Effective November 17, 2021, the Commonwealth of Massachusetts (the Commonwealth) provided a subaward of \$47.0 million to MassHousing, in its capacity as a "Contractor", to provide administration and project management for the distribution of federal financial assistance received by the Commonwealth through the Homeowner Assistance Fund (HAF) authorized under Section 3206 of the American Rescue Plan Act of 2021, H.R. 1319 (the ARPA) and administered by the U.S. Department of Treasury (Treasury). The contract was amended on June 22, 2022 and the subaward was reduced by \$7.0 million to \$40.0 million. The contract was further amended on May 31, 2023 and the subaward was reduced by \$13.0 million to \$27.0 million.

HAF was setup to prevent mortgage delinquencies, foreclosures, loss of utilities or home energy services, and displacement of homeowners experiencing financial hardship after January 21, 2020. Funds from HAF may be used for assistance with mortgage payments, homeowner's insurance, utility payments, and other specified purposes. The law prioritizes funds for homeowners who have experienced the greatest hardships, leveraging local and national income indicators to maximize the impact.

**MASSACHUSETTS HOUSING FINANCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

NOTE 6 HOMEOWNER ASSISTANCE FUND (CONTINUED)

Effective November 17, 2021, the Commonwealth also provided a subaward of \$3.0 million to MassHousing to establish and manage a statewide marketing, outreach and public information campaign to encourage homeowners experiencing hardships due to the Covid-19 pandemic to take advantage of financial assistance under the Massachusetts HAF Program (the Statewide HAF Program). The contract was amended on May 31, 2023 and the subaward was reduced by \$1.0 million to \$2.0 million.

During the year ended June 30, 2023, MassHousing received \$843.5 thousand for reimbursement of administrative expenses from the funds.

NOTE 6 SUBSEQUENT EVENTS

On August 4, 2023, the HAF contract was further amended and the subaward was increased by \$2.8 million to \$29.8 million.

MassHousing has performed an evaluation of subsequent events through November 30, 2023, which is the date the Schedule was available to be issued. No material subsequent events have occurred since June 30, 2023, that required recognition or disclosure in the Schedule and accompanying notes.

**MASSACHUSETTS HOUSING FINANCE AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued by MassHousing’s Independent Auditor: **Unmodified**
2. Internal control over financial reporting issued by MassHousing’s Independent Auditor:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
14.195	Housing Assistance Payments Program for Low Income Families (Section 8)
21.026	Homeowner Assistance Fund Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 3,420,026

Auditee qualified as low-risk auditee? x yes _____ no

**MASSACHUSETTS HOUSING FINANCE AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Schedule of Expenditures of Federal Awards Findings

We did not identify any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

None.