



Massachusetts Housing Finance Agency
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Investment and Audit Committee Meeting Minutes

Meeting Date and Time: September 8, 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: Chrystal Kornegay
Charles Karimbakas
Stephen Vickery
Paul Scola
Belmira Fallon
Nancy Slaney
Cynthia Fernandes
Qihong Li
Diane Cardinale
Jill Lavacchia
Laurie Bennett

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

The meeting began at 1:04 p.m.

After commencement of the meeting, the committee members unanimously approved, by roll call, the minutes of the June 9, 2020 meeting of the Committee.

Following such approval, Ms. Fernandes reviewed the Investment & Audit Committee Report for the fourth quarter, noting that the fiscal year 2020 audit plan was successfully completed. Ms. Fernandes discussed the Agency's fraud program updates, the internal control environment during the global pandemic, and the different assurance activities occurring in the month of September. In response to a question from Mr. Chai regarding whether it was unusual for the Agency to have this many concurrent audits and reviews, Ms. Fernandes noted that the audits and reviews were expected, but do not

typically occur at the same time. Mr. Karimbakas added that the Agency knew the Housing and Urban Development (HUD) Risk Share Review was coming, and that the Fannie Mae Mortgage Origination Risk Assessment (MORA) was rescheduled from earlier in the year. He noted that the Agency had not been audited by the state since 2015, and that it is routine to be audited by the state every three to five years. Ms. Fernandes noted that the audit announcement for the state has not been issued yet, and that the state is working to define their scope and objectives. In response to a question from Mr. Chai on the Home Ownership review, Ms. Fernandes noted that the Division of Banks is reviewing the Home Ownership Division's compliance with the CARES Act since the Agency became a registered third-party servicer last year. Ms. Fernandes confirmed that the Committee would be informed of significant issues.

With no further question, Mr. Hanley then presented the status of the fiscal year 2020 financial statement audit. He reported that the audit was substantially complete and that the audit experienced some delays as a result of the pandemic and everyone working from home. He noted that despite the delays, the audit will be complete in line with reporting deadline. Mr. Hanley discussed the areas of the financial statement where judgments and estimates were made, noting that PwC evaluated and agreed with the allowance for loan loss and loss reserves. Mr. Hanley discussed the impact of the new Government Accounting Standards Board (GASB) pronouncement, GASB 84. Mr. Hanley then discussed the status of the Ginnie Mae audit and noted that PwC is working with the Agency through a few non-compliance matters. He noted that the financials will be reviewed with the Committee during the next meeting scheduled in December 2020.

Mr. Hanley stated that PwC is independent of the Agency. He emphasized that PwC had the full cooperation of the Agency, its third-party advisors, and that limits were not placed on the auditors' inquiries. He highlighted that there weren't any instances of fraud, non-compliance with laws and regulations, or deficiency in internal control. He further noted that there was one audit adjustment to revenue, which PwC agreed with. Mr. Hanley noted that if there were any material changes to the financials, he would contact the Committee and that he had direct access to the Chairman and members.

With no further question, Mr. Karimbakas provided the Committee a summary of the Agency's financial performance over fiscal year 2020. He noted that ten out of the twelve months were before the COVID-19 pandemic and considered a regular year. He noted that the Federal Reserve reduced interest rates prior to the pandemic and that the continued low interest rates will have an impact on the Agency's fiscal year 2021 performance. Mr. Karimbakas discussed the pros and cons of operating in a low interest rate environment. Mr. Karimbakas then noted that the Agency received a large sum of cash from the GE repayment and that it resulted in an adjustment to Revenue for the year. In response to a question from Mr. Chai on whether PwC agreed with the adjustment, Mr. Hanley confirmed that PwC agreed with the way the Agency was reporting the adjustment. Mr. Dirrane further inquired regarding the presentation of the funds in the Financial Statements, and Mr. Vickery responded that the funds would be broken out on the Profit and Loss statement as grant income and expense, and further detailed in the footnote disclosures. Mr. Attia commented on how similar grants were managed at MassDevelopment in the past. Mr. Karimbakas concluded by noting that the Agency will show a loss when the grant money is expended and that the impact was discussed with the rating agencies.

There were no further questions, and the members then voted to adjourn.

The meeting concluded at approximately 1:30 p.m.

A true record.

Attest.



Colin M. McNiece
Secretary

Meeting Materials:

- Minutes of the June 9, 2020 Meeting
- Investment and Audit Committee Quarterly Internal Audit Report (Q4 2020)
- PwC Report to the Investment and Audit Committee, 2020 Audit Status
- Draft of FY2020 MassHousing Annual Financial Report